



# Special Incentive Program

Finance and Governance Committee

June 17, 2020

# Item Number 20-0564

## For Council consideration:

Ordinance to amend Chapter 18 of the Denver Revised Municipal Code to add a retirement incentive for employees already eligible to retire under the Denver Employee's Retirement Plan (DERP).

Employees willing to vacate their position on or before August 31, 2020 will receive a \$5,000 incentive and a benefit equal to one week's salary per years of service up to a maximum of \$40,000.

# Reason for Special Incentive Program

- A special retirement incentive program reduces the need to utilize layoffs to balance the 2021 budget.
- Agencies have been asked to identify 11.6% savings proposals as part of the 2021 budget process
- Agencies will be challenged to identify savings proposals with no impact to current staff
- If 331 employees enroll in the Special Incentive Program, the incentive program savings in 2021 is \$20M, and 2022 is \$29M for *all funds (includes GF, SRF, Enterprise)*
- The \$29M savings from the voluntary separation equates to approximately 576 positions citywide or 17 furlough days across *all funds*
- The program gives agencies more options without requiring layoffs

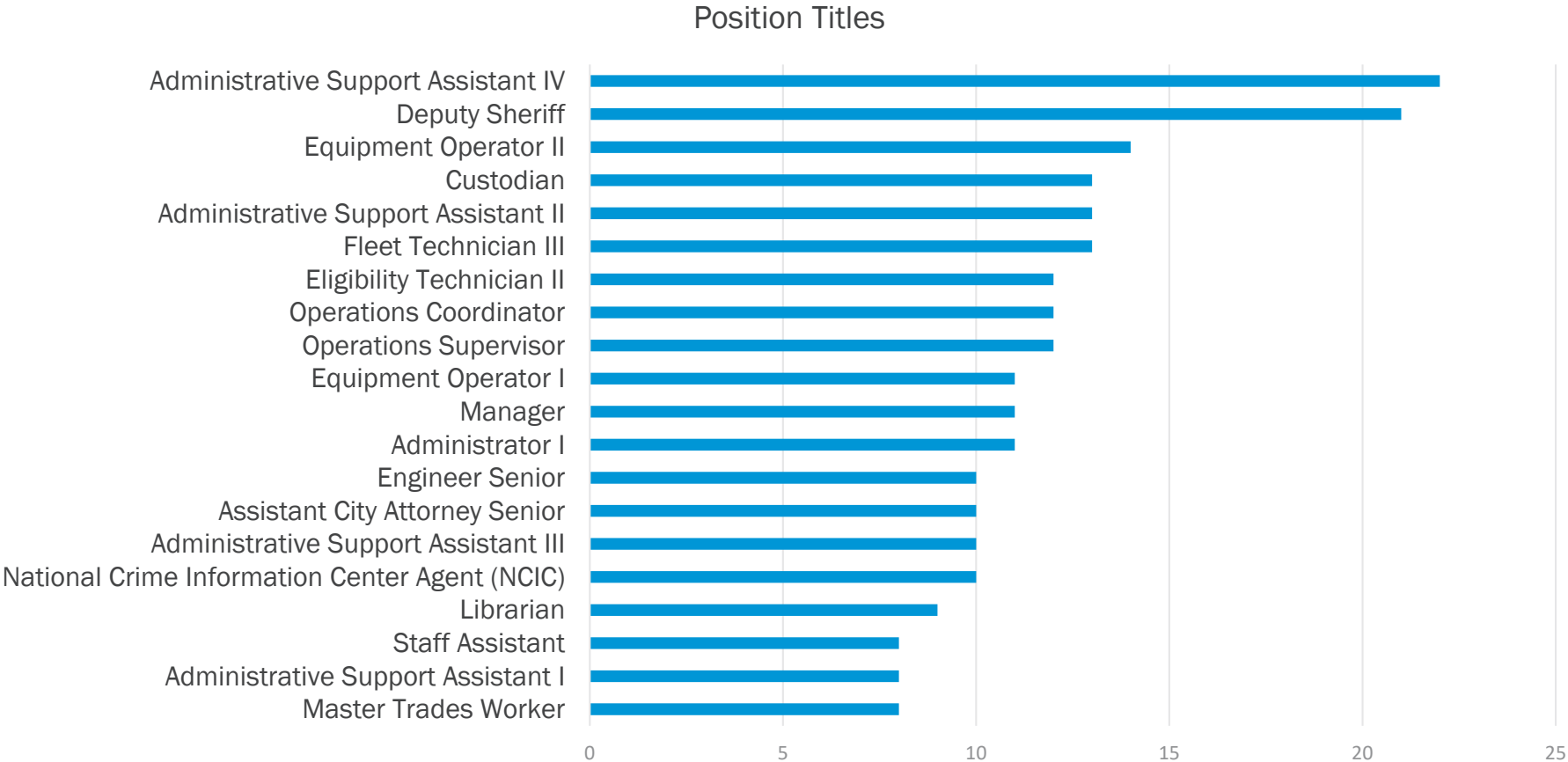
# Special Incentive Program Eligibility

- Eligible employees include:
  - All Career Service employees (civilians)
  - Non career service civilians (County Court, City Council, Library, DA, Clerk, and Auditor's office)
  - Uniformed officers of Sheriff department
- Does not include:
  - Uniformed officers of the Police and Fire departments
  - Denver Health employees

# Special Incentive Program Eligibility, cont.

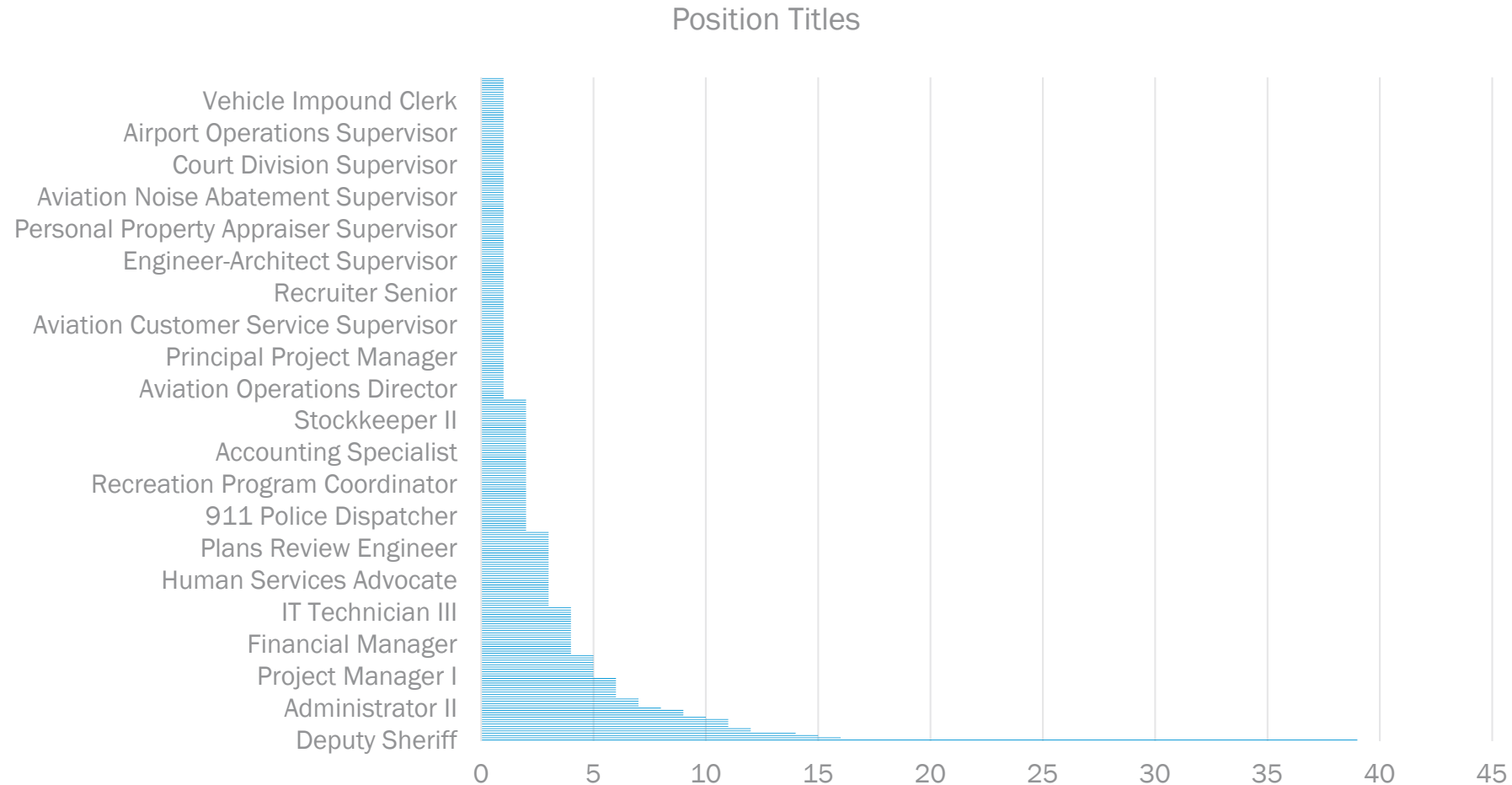
- This incentive will not introduce new retirement eligibility
- Employees must be eligible to retire as of September 1, 2020
- Incentive will be offered to only those already eligible, as follows:
  - A normal unreduced retirement for those age 65 and five years of service.
  - Two retirement options:
    - For members hired before July 1, 2011: The earliest retirement age is 55 if they have qualified for the Rule-of-75 (years of service + age = 75)
    - For members hired on or after July 1, 2011: The earliest retirement age is 60 if they have qualified for the Rule-of-85 (years of service + age = 85)

# Top 20 Number of Employees by Department



827  
Employees  
Eligible,  
*all funds*  
as of Sept.  
2020

# Top 20 Position Classification Overview



# Special Incentive Program Overview

- Enrollment capped at 40% of eligible employees *per fund* and for General Fund 40% *by appropriation account*
  - September 1, 2020: 827 Total Eligible employees, all funds
  - Will cap at 331 employees across all funds
- \$5,000 incentive offered in two equal payments of \$2,500
  - First installment included in employee's final check
  - Second installment paid no later than January 22, 2021
- Benefit equal to one week's salary per completed year of service
  - Cap of \$40,000
  - One-third (1/3) paid in employee's final check
  - Two-thirds (2/3) paid no later than January 22, 2021



# Savings Program

- Hold positions vacant or reduce them upon vacancy to offset cost of the program
- Positions enrolling in program will be abolished resulting in estimated annual personnel savings
- Reduces personnel expenditures which reduces potential need for citywide layoffs
- Starting in 2022 annualized savings:
  - \$29M annually across *all funds*
  - \$18M annually for the *general fund*
- Position review committee will have a few positions (general fund) in 2021 to accommodate agency needs
  - Agencies may trade positions of greater or equal value and conduct internal recruitment for those positions that must be backfilled

# Financial Impact to All Funds

| Special Incentive Program Payout                        | 2020 Prorated 4 Months | Full -Year 2021      | Full -Year 2022      |
|---|------------------------|----------------------|----------------------|
| Vac/Sick Payout \$                                      | 8,222,769              | \$ -                 | \$ -                 |
| One-time Incentive (1 pf 2 payments) \$                 | 766,350                | \$ 766,350           | \$ -                 |
| Tenure Max Incentive Payout (1 of 3 payments) \$        | 3,051,242              | \$ 6,102,484         | \$ -                 |
| <b>Total Special Incentive Program Payout \$</b>        | <b>12,040,361</b>      | <b>\$ 6,868,834</b>  | <b>\$ -</b>          |
| <b>DERP Unfunded Liability + Backfill Cost</b>          |                        |                      |                      |
| DERP Unfunded Liability \$                              | -                      | \$ 6,322,794         | \$ 4,313,476         |
| Annual Backfill Benefit Cost \$                         | -                      | \$ 390,160           | \$ 390,160           |
| Salary Backfill Cost \$                                 | -                      | \$ 2,826,206         | \$ 2,826,206         |
| <b>Total DERP Unfunded Liability + Backfill Cost \$</b> | <b>-</b>               | <b>\$ 9,539,161</b>  | <b>\$ 7,529,843</b>  |
| <b>Total Special Incentive Program Payout Cost \$</b>   | <b>12,040,361</b>      | <b>\$ 16,407,995</b> | <b>\$ 7,529,843</b>  |
| <b>Annual Salary + Benefit Cost Savings \$</b>          | <b>12,229,569</b>      | <b>\$ 36,688,706</b> | <b>\$ 36,688,706</b> |
| <b>Net Cash Flow \$</b>                                 | <b>189,207</b>         | <b>\$ 20,280,710</b> | <b>\$ 29,158,863</b> |

\*All estimates are based on a voluntary separation date of service on or before August 31, 2020

Page 10

# Financial Impact to General Fund

| Special Incentive Program Payout                        | 2020 Prorated 4 Months | Full -Year 2021      | Full -Year 2022      |
|---|------------------------|----------------------|----------------------|
| Vac/Sick Payout \$                                      | 5,122,322              | \$ -                 | \$ -                 |
| One-time Incentive (1 pf 2 payments) \$                 | 766,350                | \$ 766,350           | \$ -                 |
| Tenure Max Incentive Payout (1 of 3 payments) \$        | 1,682,655              | \$ 3,365,309         |                      |
| <b>Total Special Incentive Program Payout \$</b>        | <b>7,571,327</b>       | <b>\$ 4,131,659</b>  | <b>\$ -</b>          |
| <b>DERP Unfunded Liability + Backfill Cost</b>          |                        |                      |                      |
| DERP Unfunded Liability \$                              | -                      | \$ 3,873,730         | \$ 2,625,107         |
| Annual Backfill Benefit Cost \$                         | -                      | \$ 237,444           | \$ 237,444           |
| Salary Backfill Cost \$                                 | -                      | \$ 1,719,980         | \$ 1,719,980         |
| <b>Total DERP Unfunded Liability + Backfill Cost \$</b> | <b>-</b>               | <b>\$ 5,831,154</b>  | <b>\$ 4,582,531</b>  |
| <b>Total Special Incentive Program Payout Cost \$</b>   | <b>7,571,327</b>       | <b>\$ 9,962,814</b>  | <b>\$ 4,582,531</b>  |
| <b>Annual Salary + Benefit Cost Savings \$</b>          | <b>7,599,655</b>       | <b>\$ 22,798,966</b> | <b>\$ 22,798,966</b> |
| <b>Net Cash Flow \$</b>                                 | <b>28,329</b>          | <b>\$ 12,836,152</b> | <b>\$ 18,216,435</b> |

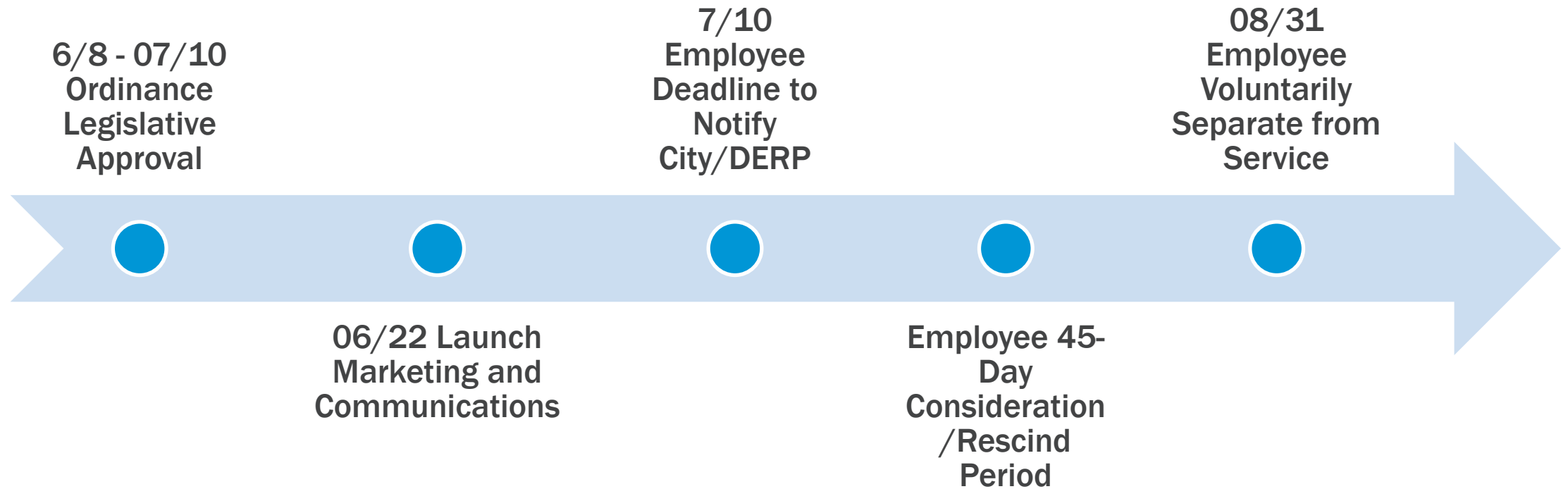
\*All estimates are based on a voluntary separation date of service on or before August 31, 2020

Page 11

# Employee Communications

- Employee incentive invitation letter, overview documents sent by June 22
- DERP letter sent advising employees of retirement benefit estimate
- Employees have up to 45 days to consider agreement
- Employees will have seven days after signing the agreement to rescind
- Manager/Supervisor Q&A Town Hall
- Two Employee Q&A Town Halls (weekend and weekday)
- DenverHub informational website
- Daily reminder emails
- Retirement is effective September 1, 2020

# Timeline



# Council Action for Consideration

## Item Number 20-0564

Ordinance to amend Chapter 18 of the Denver Revised Municipal Code to add a retirement incentive for employees already eligible to retire under the Denver Employee's Retirement Plan (DERP).



---

# Questions?

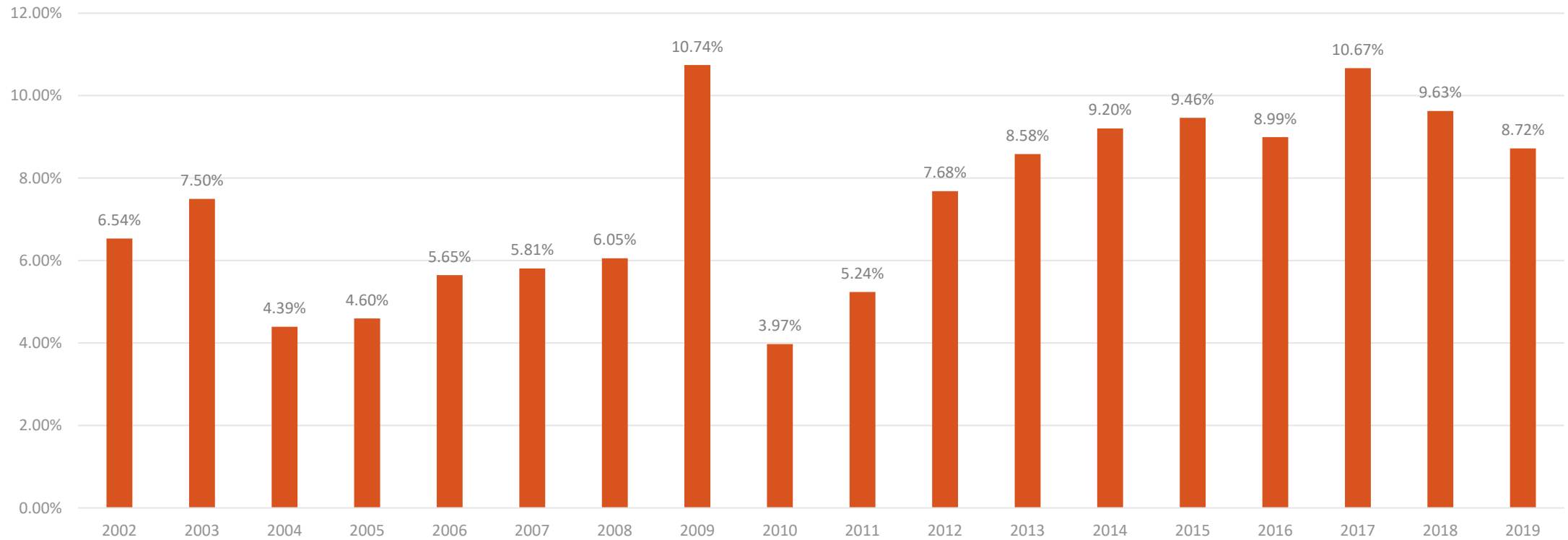
# Appendix



## 2009 Special Incentive Program (SIP)

- In 2009, the City and County of Denver Implemented a Special Incentive Plan (SIP)
  - Number of eligible employees: 939 citywide, all funds
  - 357 or 38% of eligible employees took the incentive
  - \$15,000/\$500 per month for 30 months, no one-time payment
  - Total incentive payout \$5.3M, not including sick/vacation

# Retirements 2002-2019



## EEOC data\*

|  | Count of Ineligible | Percent ineligible | Count of Eligible | Percent eligible |
|--|---------------------|--------------------|-------------------|------------------|
| American Indian or Alaska Native (United States of America)          | 94                  | 1.13%              | 10                | 1.15%            |
| Asian (United States of America)                                     | 259                 | 3.10%              | 25                | 2.88%            |
| Black or African American (United States of America)                 | 832                 | 9.97%              | 142               | 16.36%           |
| Decline to Identify (United States of America)                       | 112                 | 1.34%              | 2                 | 0.23%            |
| Hispanic/Latino (United States of America)                           | 2369                | 28.38%             | 218               | 25.12%           |
| Native Hawaiian or Other Pacific Islander (United States of America) | 21                  | 0.25%              | 1                 | 0.12%            |
| Two or More Races (United States of America)                         | 224                 | 2.68%              | 2                 | 0.23%            |
| White (United States of America)                                     | 4437                | 53.15%             | 468               | 53.92%           |
| Grand Total  | 8348                | 100.00%            | 868               | 100.00%          |

\*Includes 39 DHHA employees not eligible for special incentive program