	CITY OF HENDERSONVILLE		
Policy Name:	Early Retirement Program and Retiree Health Insurance Benefits	Date Adopted by Council :	April 3 2014

I. Introduction

The purpose of this policy is to establish guidelines for an early retirement program for City employees and outline retiree health insurance benefits offered by the City of Hendersonville. This program is to allow employees the opportunity to receive certain benefits in exchange for early retirement using the employee's sick leave.

It has been the City's practice not to use the employee's sick leave balance for credit toward the 30 years of service, when determining eligibility for the retiree health insurance. This policy will only address using accumulated sick leave to complete 30 years of service.

Participation in this program is strictly voluntary and is not mandated on the employee when the employee meets the eligibility requirements. This program is not an entitlement or right automatically available to all employees who meet the eligibility requirements.

II. Overview


Retiree Health Insurance

For employees who retire with 30 or more years of service, the city will continue to carry them on the city's group medical insurance and pay the premium until such time these employees reach the age of eligibility for social security and Medicare benefits. The 30 years of service does not have to be continuous. For example, an employee who served 5 years, resigned, and was rehired and served 25 additional years would receive retiree health insurance provided the employee has not reached the age of eligibility for social security and Medicare.

Local Governmental Employees Retirement System (LGERS)

The City is a participating member of the Local Governmental Employees Retirement System. The retirement system is its own entity governed by the State of North Carolina. For more information regarding membership and other requirements please consult the North Carolina Retirement System.

The retirement system allows retiring employees to transfer any unused sick leave which is converted into additional creditable years of service. Sick leave is used to increase the employee's creditable service, but not to be used to meet the minimum qualifications for disability retirement or deferred

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benefit. An employee may use their sick leave to complete 30 years of service regardless of age or to meet other service retirement options.

III. Early Retirement Program


Effective July 1, 2014, employees can use their accumulated sick leave towards their retiree health insurance under the following conditions:

A. Employee Eligibility Requirements

1. The employee must have 27 years of service with the City of Hendersonville. This time does not need to be continuous with the City.
2. The employee must have enough sick leave to achieve 30 years of service with the Local Governmental Employees Retirement system.
3. Time purchased from other governmental entities shall not be credited in the calculation of the 27 years of service.
4. Military time will be allowed toward the 27 years of service providing it was an honorable discharge. The employee must provide a copy of their DD-214 to verify years of military service and honorable discharge.
5. The employee agrees to compensate the City for their cost of the retiree health insurance plan out of their vacation, compensatory time, or combination of the two balances for the period that sick leave is used to achieve the 30 years of service.

Retiree Health insurance costs will be actual cost for the first year and the City will estimate an increase for the remaining years. This rate will be assumed at a 5% growth rate. If this growth is inaccurate, the employee will receive a refund from the City on an annual basis after health insurance renewal. However, if it is greater the employee will be notified by Human Resources of the increase and the employee will reimburse the City. The employee will need to set up a repayment plan with the City.

Failure to pay the insurance premiums will result in termination of insurance. This termination will be for both the early retirement entry and the 30-year Health Insurance benefit.

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6. Eligible employees may not currently be on leave without pay, receiving either long- term disability insurance, or workers' compensation benefits.

Employees in the following circumstances are not eligible for participation in the early retirement program:


1. Any employee who has been terminated or otherwise has been involuntarily separated from the City.
2. Any employee who is retiring under the disability provisions of retirement system.

B. Administrative Review Process

The City Manager, with the assistance of Human Resources, will review requests made by employees for the Early Retirement Program. The City Manager reserves the right to suspend the Early Retirement Program at any time and to limit the number of employees participating in the Program.

The City Manager will consider, but is not limited to, the following factors:

- The terms and conditions of the Early Retirement Program would not be detrimental to the City of Hendersonville and to City's operations. Determination of this factor would include, but not limited to, such considerations as whether sufficient staffing and financial resources will be available to the department from which the employee is retiring, and
- Operations and efficiency of the department will not be impaired due to the retirement, and
- Department Heads or City Manager will determine succession/ training plan for a key employee to take over during the interim period until a successor can be named or promoted, and
- The employee has enough vacation, compensatory time, or combination of to pay for the retiree health for the period in which sick leave is used to achieve 30 years of service.
- A savings to the City in salary and fringe benefit costs can be demonstrated, and
- The City Manager, Department Head and Human Resources determine that the savings realized as the result of the agreement provide for a more efficient operation of the City.

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As part of the factors outlined, a cost savings must be demonstrated. Human Resources, with the assistance of the Finance Department, will prepare a savings analysis. The cost savings must be realized within 3 years of the effective date of retirement. This analysis will include, but not limited to the following items:

- "Replacement Cost" means the estimated salary, benefits (including the City's portion of retirement costs), FICA taxes and who will be employed to fill the position of the retiring employee.
- "Retention Cost" means the last salary (including any increases in salary prior to the effective date of retirement), benefits (including the City's portion of retirement costs) and FICA taxes for the eligible employee.

The formula to determine cost savings comes from subtracting the "replacement cost" from the "retention cost". The City reserves the right to consider other variables to determine savings.

C. Early Retirement Program Application Process


Employees who elect to participate in the Early Retirement Program will need to discuss their retirement plans with their department head and Human Resources to determine eligibility.

Upon completion of the administrative review process if the employee meets the eligibility requirements, the employee will receive notice of approval to participate in the early retirement program and a statement on the Age Discrimination Employment Act (ADEA).

The employee will need to plan an additional month (30 days) to the retirement process if they elect to participate in the Early Retirement Program. It is strongly encouraged that the employee requests a retirement estimate from the Retirement System. The retirement system has two different options:


- *Retirement Calculators* - on line at www.myncretirement.com
- *Form 309* - if the employee uses this method, the Retirement System recommends beginning the process when the employee reaches the one year mark to their retirement date, since it takes the retirement system approximately 6 weeks to complete and return an estimate.

During the early retirement application process, the employee may decide retirement may not be feasible. If so, they may elect to drop out of the early retirement program. The employee has 30 days from the time the Early Retirement Program application is submitted to the City to determine

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if this program is right for their circumstances. Once the LGERS paperwork is completed and sent to the Retirement System the decision to retire cannot be changed unless approved by the City Manager. This is due to the fact the City will begin its succession plans and recruitment process for the vacant position.

The North Carolina Retirement System requires their paperwork for retirement be submitted between 90 or 120 days before the effective month of retirement. The 120-day window allows the City and the Retirement System sufficient time to complete all processes. All retirements are effective on the first of the month. Below is a timeline of retirement process with the early retirement program for a July 1 retirement.

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This policy is approved by City Council on April 3, 2014.


Barbara G. Volk

Barbara G. Volk, Mayor Attest:

Tammie K. Drake

Tammie K. Drake, MMC, City Clerk

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Voluntary Early Retirement Agreement

By my signature below, I, do assure the City of Hendersonville that I have voluntarily sought participation in the Early Retirement program; that I have been apprised that my employment is protected under the Age Discrimination Employment Act; and that I have been advised and have had the opportunity to seek the advice of counsel, accountants and others who might assist me in making an informed decision concerning this program.

I understand in taking this early retirement plan that I am forfeiting payment of my accumulated vacation and compensatory time in return for the amount of time that I am entering onto the City's Retiree Health Insurance plan. I understand that if I have set up a payment plan with the City and I fail to make a payment, I am responsible for the late payment and I will be separated from the City's Retiree Health insurance for the duration of my eligibility.

I understand that if after reviewing my retirement options from the Retirement System, I may rescind my participation in this program. However, once I complete the Application for Retirement with the Retirement System that I cannot rescind my retirement unless approved by the City Manager.

Employee Signature Date

Human Resources Date

City Manager Date