<u>Subject: Severance Pay for Unclassified (Appointed) Employees</u>

History of Severance Pay Packages in the City of Minneapolis

Prior to 1994, department heads who were not reappointed for new term or terminated during the term (except for misconduct) received either 6 months notice or, at the option of the appointing authority, immediate termination and continuation of their salary for 6 months. During this time, the City continued to pay benefits and vacation and sick leave accrual continued. If the employee accepted another professional position similar to that from which the employee was terminated, the City's obligation to continue to pay for the 6 month period ceased.

The concerns associated with these practices were that the employee remained on payroll; the City continued to pay benefits; vacation and sick leave accrual continued; the employee did not give the City a release of claims; and inconsistent deals were sometimes made.

In 1994, the City adopted an ordinance that expanded severance pay to all appointed employees (except for appointees in Mayor and Council offices and those covered by a collective bargaining agreement). That severance package included 12 weeks annual pay (paid bi-weekly) and 50% cash-out of accumulated sick leave. At the employee's request, they would receive up to $3500 for outplacement services.

If during period that severance was paid, the employee was employed in a position outside of city employment at a salary equal to or greater than the annual salary for the position from which employee terminated, then severance payments ceased.

The concerns remained the same as prior to adopting the new ordinance (the employee remained on payroll; the City continued to pay benefits; vacation and sick leave accrual continued; the employee did not give the City a release of claims; and inconsistent deals were sometimes made) and had an added administrative burden of tracking outside employment of the terminated employee. During this time at least one person in the unclassified service was terminated, accepted the severance pay (for which the City did not require a release of claims) and subsequently sued the City for additional monies.

Effective January 1, 1999, the ordinance was amended to include the requirement of employment agreements between the City of Minneapolis and the employee, and to increase the amount of the severance package to 6 months. Payment of severance conditioned on the employee agreeing to release City from all causes of actions and claims.

On April 20th 2005, the Executive Committee directed staff to provide committee members with an option of changing the existing severance pay package for appointed employees from fifty (50) percent to twenty-five (25) percent (or from 6 to 3 months) of their annual salary.

Ordinance 20.455 is the current ordinance that governs severance pay for unclassified employees. At the Executive Committee's request, staff prepared a revision to this ordinance by adding language that would grandfather in employees currently in the unclassified service. Staff also prepared new language for the committee to consider which is the same as current ordinance except that it decreases the amount of severance pay for appointed employees from a lump sum payment equal to fifty (50) percent to a lump sum payment equal to twenty-five (25) percent of the employee's annual salary.

After discussing these options, the Executive Committee directed staff to add language to the amendment which provides, in addition to the severance payment, the full amount of the first six (6) months of COBRA (Consolidated Omnibus Budget Reconciliation Act) payments for health insurance for those appointed employees who are removed.

The proposed amendments are attached.