Benefits for Appointed Employees

GENERAL PHILOSOPHY FOR PROVIDING EMPLOYEE BENEFITS:

Employee benefits help attract and retain qualified, productive and motivated employees who provide efficient and effective services to the citizens. City sponsored group insurance benefits help minimize the personal risks and liabilities associated with illness, injury, dental problems, disability, and death. By helping our full-time employees minimize these personal risks, the City of Minneapolis increases the stability and well being of the workforce.

SUMMARY OF EMPLOYEE BENEFITS:

Benefits Granted to All Full-time Classified and Appointed Employees

The City of Minneapolis offers a full range of benefit options. Full-time employees can choose from different types of insurance plans, and can design the benefit package that best suits their life style needs.

1. Medical Plans – The City contributes a large percentage of the premium costs for single and family coverage for three different medical plan options. These plans all include a full service Employee Assistance Program at no additional cost to employees. In 2002, the City contributes $161.29 per month for single coverage and $564.71 per month for family coverage.

2. Dental Insurance – The City pays the full cost of single and family dental insurance. In 2002, the monthly premium paid is $45.14 per month for each employee.

3. Term Life Insurance – The City pays the full cost of the premium for $10,000 coverage. In 2002, this amount is $2.70 per month per employee.

4. Optional Life Insurance and Dependent Life Insurance - Employees can purchase additional coverage for themselves with premium rates based on employee's age. Dependent coverage can also be purchased at $.85 per month.

5. Long Term Disability Insurance – The City pays for Long Term Disability insurance coverage for many of the unionized and non-represented employees. In 2002, this rate is $.34 per $100 for employee long-term disability coverage.

6. Pre-Tax Savings Plans – Employees can choose to participate in the MinneFlex program that allows for pre-tax deductions to be set aside for health-related and child care expenses. The maximum contribution allowed for dependent care is $5,000 per year; there is no maximum limit for health care.

7. Chiropractic Care – Employees can pay to purchase group chiropractic services at a reduced rate of $5.50 per month for single and $10.50 per month for family coverage.

8. Homeowners, Renters and Auto Insurance – Employees can choose to pay for these premiums through payroll deduction.

9. Transit Benefits – Employees can choose to purchase tax free bus cards up to $95 per month, and tax-free parking at selected City parking ramps up to $185 per month.

10. Deferred Compensation – Employees may defer part of their current income to a deferred compensation program. The City offers three excellent investment options that allow employees to avoid paying state and federal taxes on such deposits until the funds are withdrawn. In 2002, the maximum annual contribution is $11,000.

11. Annual Sick Leave Credit Pay Plan and Accrued Sick Leave Retirement Plans – Employees with 60 or more days of unused sick leave have the option to "cash out" or "bank" any unused hours accrued in the previous calendar year. Retiring employees who have accrued at least 60 days of sick leave can also receive a 50% cash benefit.

Additional Benefits Granted Only to Appointed Employees

A list of appointed employee positions and their departments is attached to this report.

1. Subsidized Parking or Bus Passes - All appointed employees can chose between subsidized parking or subsidized bus cards. The City pays the monthly cost equal to parking in a non-reserved spot in the Gateway Parking Ramp. Appointed employees who choose to park in more expensive city ramps pay the difference themselves. If the appointed employee chooses to ride the bus to and from work, he or she can apply the monthly allowance to bus cards.

   Other classified city employees also receive paid parking, depending on their duties or their work location.

2. Severance Pay - All full-time appointed employees who are not represented through a collective bargaining agreement, excluding those appointees in the council and mayor's offices, enter into employment agreements with the city. The employment agreement sets forth all the terms and conditions of employment. Some appointed employees are appointed for a specific term. Others are "at will" and may be removed from service by the appointing authority with or without cause. The employment agreement provides that if the employee is removed from the employee's position for reasons other than malfeasance, misfeasance or nonfeasance in office, the employee can receive a lump sum payment equal to fifty percent of the employee's annual salary.

   In order to receive severance pay, the appointed employee must agree to release the city from any and all causes of action or claims that the employee may have against the city. Once the agreement is completed according to legal requirements, the appointed employee receives his/her severance pay within thirty days. An appointed employee who is removed from his/her position who does not execute the general release has no right to any severance payment.

RATIONALE FOR PROVIDING SEVERANCE PAY TO APPOINTED EMPLOYEES

Severance Pay is a benefit for appointed employees who have essentially no protection against termination. Classified employees are guaranteed due process under the Civil Service Commission (CSC) rules or their collective bargaining agreements. Under both, performance problems must be addressed using progressive discipline. Serious disciplinary actions, such as suspension or termination, can be appealed to the Civil Service Commission, or through the grievance and arbitration process. As an ‘at-will” employee, the City can terminate an appointed employee for any reason as long as it is not a discriminatory reason. Therefore, the appointed employee has no job security regardless of performance or accomplishments. The Severance Pay provides a bridge for the appointed employee who is removed from his/her position to look for a new job.

The “quid pro quo” for the severance pay is the release from all actions or claims against the city. Such claims could include any alleged violations of:

- Minnesota Human Rights Act
- Age Discrimination in Employment Act
- Older Workers Benefit Protection Act
- Americans with Disabilities Act
- Title VII
- Minnesota Veterans Preference Act
- Whistle Blowers Statute
- Family and Medical Leave Act
- Fair Labor Standards Act
- M.S. 176.82 – Workers Compensation
- Minneapolis Civil Service Commission rules or other federal, state or local laws, including the federal or state Constitutions, including civil rights laws based on age or any other protected class status
- breach of contract
- fraud or misrepresentation
- defamation
- intentional or negligent infliction of emotional distress
- breach of the covenant of good faith and fair dealing
- promissory estoppel
- negligence or any other breach of duty
- wrongful termination of employment
- retaliation
- harassment
- attorney's fees
- breach of public policy
- failure to pay wages or benefits
- any other claims for unlawful employment practices whether legal or equitable
- any claims that could be brought in any forum or court or pursuant to any grievance procedure

This release assures the City will not experience any legal liabilities or significant settlements as a result of terminating an appointed employee. In years prior to the current Severance Pay Plan, the City experienced such exposure.

Many of the salaries for the top-level appointed positions are not competitive in the market because of the Governor's Cap. The benefits granted to appointed employees are also not competitive when compared to similar positions in the market place. For an incoming department head, the severance pay can be viewed as a safety net that will reduce the gap between the city's total compensation package and that of similar executive positions

Minnesota Statute 465.72 says that employees of cities, counties, school districts, townships and other governmental bodies may not receive more than one year of severance pay. Minnesota Statute 465.722 applies to a slightly different set of public employees, and includes employees of the City of Minneapolis. It puts a greater limit on the amount of severance a "highly-compensated employee" can receive. "Highly compensated employees" in the City are those who earn more than $72,000 per year in 2002 (sixty percent of the Governor's salary). Highly compensated employees cannot collect severance pay in excess of six months of the annual wage. No further payments, for such things as accrued sick leave or vacation pay, can be granted beyond the six months severance.

Severance Program Comparisons

Please see the attached spreadsheet that describes severance programs in other jurisdictions.