



Metropolitan Water Reclamation District of Greater Chicago

100 East Erie Street
Chicago, IL 60611

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TRANSMITTAL LETTER FOR BOARD MEETING OF OCTOBER 7, 2010

COMMITTEE ON PENSION, HUMAN RESOURCES AND CIVIL SERVICE

Mr. Richard Lanyon, Executive Director

Requesting Approval to Change Termination Pay, Tuition Reimbursement and Sick Leave Accrual for Non-Represented Employees Effective January 1, 2011

Dear Sir:

Following discussion at the August 12, 2010 study session and suggestions received from employees, three changes are recommended to benefits received by non-represented employees.

1. Termination Pay: It is recommended that termination pay be eliminated for non-represented employees hired on or after January 1, 2011, and that termination pay no longer be earned by any non-represented employee after December 31, 2010. The estimated annual savings is \$500,000.

For many years the District has provided termination pay to employees who separate from District service. It is recommended that the District eliminate its termination pay policy for non-represented employees hired after January 1, 2011. It is also recommended that accrual of termination pay stop for all current non-represented employees after December 31, 2010.

Current employees of the District would receive termination pay upon their separation for time worked prior to January 1, 2011. Regardless of separation date, the rate used for calculation of termination pay would be the rate earned by the employee as of December 31, 2010. The District's General Counsel recommends leaving the termination pay intact for current employees, as it may be viewed as a form of deferred compensation that has been earned. The termination pay policy may be changed, but only as it is related to work not yet performed.

Termination pay is calculated in the following manner:

Employees of the District who have completed five or more years of actual service to the District shall receive, upon final separation from that service for reasons other than discharge, termination pay to a maximum of thirty days' pay in accordance with the following schedule:

One day's pay for each of the first five years of service;
One and one-half days' pay for each of the next ten years of service;
Two days' pay for each of the next five years of service.

Separated employees also receive payment for accrued compensatory time (overtime) by federal law, and payment for accrued vacation time by state law. Because these two payments are mandated by law, no change is recommended to the policy regarding these payments.

Additionally, the District pays separated employees for accrued sick leave according to the following schedule: when an employee separates from the District for reasons other than discharge, the employee will receive a payment for 50 percent of his/her accumulated sick leave balance at the time of separation to a maximum of 60 days' pay. No change is recommended to the policy regarding accrued sick leave payments.

As the District examines its organizational priorities and seeks more cost-effective policies and programs, termination pay has been identified as a generous benefit that provides no operational payback to the District. Funds for the termination pay program can be diverted to more mission-critical operations.

Exhibit A illustrates the estimated long-term impact of eliminating termination pay for employees hired after January 1, 2011 and eliminating termination pay for time worked for current employees after December 31, 2010.

2. Tuition Reimbursement: It is recommended that tuition reimbursement benefits for non-represented employees be reduced. The estimated annual savings is \$110,000.

The District's Tuition Reimbursement Program benefits the District by providing its employees with development opportunities, resulting in more effective performance in current or future assignments. The current maximum reimbursement is \$10,000 per calendar year. In response to the need to implement cost-saving measures at the District it is recommended that, effective January 1, 2011, the maximum tuition reimbursement per employee be reduced to \$5,250 per calendar year. This is the current amount of tuition assistance that can be excluded from personal income under the terms of Section 127 of the Internal Revenue Code.

Exhibit B illustrates the potential savings if the annual maximum tuition reimbursement per non-represented employee is changed.

3. Sick Leave Policy: It is recommended that the number of sick days earned by non-represented employees be reduced to 12 days per calendar year from 15 days per calendar year, effective January 1, 2011. The full estimated value of three days of sick leave for non-represented employees is \$1,267,000. However, this is not to be construed as a savings because sick leave usage is actually less than the full amount allowed.

Currently, non-represented employees earn 15 sick days per year. Sick leave balances may be carried indefinitely. In December of each year employees are paid a "sick leave incentive," effectively cashing out sick leave in excess of 120 days on a three-for-one basis to a maximum of 15 days. Additionally, accrued sick leave remaining when an employee separates from the District is cashed out on a two-for-one basis, to a maximum of 60 days. In order to reduce the payments that are made to employees in exchange for unused sick leave, yet still maintain the humane and necessary sick leave benefit, a reduction in the accrual schedule is recommended. No change is recommended to the personal leave benefit that is charged against sick leave.

Exhibit C is a comparison of sick leave benefits provided to employees of the District, State of Illinois, Cook County, City of Chicago and Metra.

Requested, Denice E. Korcal, Director of Human Resources

Respectfully Submitted, Gloria Alitto Majewski, Chairman Committee on Pension, Human Resources and Civil Service

Disposition of this agenda item will be documented in the official Regular Board Meeting Minutes of the Board of Commissioners for October 7, 2010

Attachments