



Metropolitan Water Reclamation District of Greater Chicago

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TRANSMITTAL LETTER FOR BOARD MEETING OF SEPTEMBER 16, 2010

COMMITTEE ON PENSION, HUMAN RESOURCES AND CIVIL SERVICE

Mr. Richard Lanyon, Executive Director

Change Various Non-Health Care Benefits for Non-Represented Employees (*As Revised*)

Dear Sir:

Following discussion at the August 12, 2010 study session and suggestions received from employees, several changes are recommended to the benefits received by non-represented employees. The first three changes require amendment to Personnel Rule 5. Personnel Rule 5 contains the specific rules and procedures for salary administration for non-represented employees in the classified service of the District.

1. Supervisory Differential: It is recommended that Personnel Rule 5.06 Salary of Supervisors be deleted in its entirety:

"5.06 Salary of Supervisors: The salary of a bona fide supervisor being paid according to Schedule GS, PM or TAM shall be adjusted to provide a salary differential between the supervisor and subordinates, so that the supervisor shall be paid an amount 5% above the salary of the highest paid subordinate. A "bona fide supervisor" shall be defined as the rater on the subordinate's Performance Appraisal, Planning and Development or Probationary Report forms. Any change in the salary of the supervisor or the subordinate may result in an adjustment to the supervisor's differential. [Amendment No. 87, 3/06/78] [Amendment No. 225, 7/02/90] Amendment No. 356, 9/21/99] [Amendment No. 360, 11/16/99]"

Rule 5.06 was designed to correct instances of salary compression, in which supervisors were making less pay than their subordinates. However, in this time of economic difficulty for the District, any potential cost-saving changes to the salary plan, such as a small or negative general adjustment to the pay plan or a change to step increases, could be undone by mandating supervisory differential pay.

Exhibit A illustrates the potential annual savings resulting from deletion of Personnel Rule 5.06.

2. Overtime: It is recommended that Personnel Rule 5.10 Overtime Administration be changed in the following manner:

“5.10 Overtime Administration: A department head may prescribe reasonable periods of overtime work to meet operational needs. Such overtime shall be reported separately on the time records and the payrolls of the department.

“Any employee compensated under the GS Salary Schedule or PM employee at ~~PM12~~ PM 08, or TAM Salary Schedule at Grade ~~18~~ 16, and below, who is obliged to work overtime shall be compensated in time off or paid in cash. Such employees shall be allowed ~~two (2)~~ one and one-half (1½) hours off for each hour of authorized overtime worked. If compensated in cash, such overtime will be paid at the rate of one and one-half hours for each hour of authorized overtime worked.

“Employees at ~~PM13~~ PM 09 or TAM ~~19~~ 17 and above shall not be eligible for overtime compensation. ~~However, the Department Head may authorize time off for such employees in special cases. In no case shall employees at grade PM13 or TAM 19 and above be paid in cash for overtime.~~”

The District provides competitive pay rates to employees, and should also provide competitive compensatory time allowances for non-represented employees. The Fair Labor Standards Act requires a minimum of 1.5 hours compensatory time or cash pay for each overtime hour worked. The prevailing practice is to provide 1.5 hours compensatory time for each overtime hour worked.

Exhibit B illustrates the potential annual savings resulting from the recommended changes to Personnel Rule 5.10.

3. Eliminate Pay Schedules GS and PM: It is recommended that Personnel Rule 5.048 Transitional Rules for Employees in the Employ of the District on December 31, 1999 be deleted in its entirety:

“5.048 Transitional Rules for District Employees in the Employ of the District on December 31, 1999. [Amendment No. 360, 11/16/99] Employees in the employ of the District on December 31, 1999, who are compensated under Schedule GS or PM shall transition to Schedule TAM according to the following provisions:

(a) Employees will be placed in the same step under Schedule TAM they held under Schedule GS or Schedule PM. If such placement would result in a reduction in salary, such employees shall continue to be compensated under Schedule GS or PM. Upon promotion or reclassification, such employees shall be placed in Schedule TAM.

(b) Those employees who retain their grade and step under Schedule GS or PM pursuant to rule 5.048 a), whose salary potential would improve under the corresponding salary grade under Schedule TAM, shall be placed in that step of Schedule TAM which would be appropriate based on length of service to the District.

(c) Employees in classifications appropriately allocated to the Cooperative Student and Trainee Schedule will receive a salary corresponding to this schedule.”

Rule 5.048 was originally created to protect employees from reductions in salary that would have resulted from the 1999 implementation of the new pay plan. However, 10 years later, 71 employees still receive wages that are above the market rate for their job titles. These employees occupy positions that are designated in the budget as #4. It is recommended that these employee salaries be transitioned to the current pay plan through 2011 and 2012. The two-year transition will lessen the impact of the pay reductions on the individual

employees.

Exhibit C illustrates the potential cost savings resulting from deletion of Personnel Rule 5.048.

The Statute requires the Director of Human Resources to establish rules, titles and pay grades for all positions in the classified service, subject to the disapproval of the Civil Service Board. Upon approval by the Board of Commissioners, written notice of the proposed Rule 5 changes will be submitted to the Civil Service Board in accordance with the Statute.

The next five changes do not require changes to Personnel Rules. The recommended changes are subject to approval by the Board of Commissioners.

4. 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 not be earned by any non-represented employee after December 31, 2010.

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 non-represented employees after December 31, 2010. 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.

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.

Exhibit D 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.

5. Tuition Reimbursement: It is recommended that tuition reimbursement benefits for non-represented employees be reduced.

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 \$5250 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 E illustrates the potential savings if the annual maximum tuition reimbursement per non-represented employee is changed.

6. Sick Leave Policy: It is recommended that the number of sick days earned by non-represented employees be reduced to 10 days per calendar year.

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

7. Optional holidays: It is recommended that two optional holidays be eliminated for all non-represented employees.

Currently, non-represented employees receive three optional holidays per calendar year, unless they begin employment with the District after June 30, in which case they receive two optional holidays in the first calendar year and three optional holidays in the following years.

New employees would receive no optional holidays in the first calendar year if they begin employment with the District after June 30. By allowing employees one optional holiday per year, the District recognizes that employees of many faiths make up its workforce. An optional holiday allows employees of different faiths to schedule a day off for religious or other personal reasons. Additionally, personal leave, which is charged against sick leave, may be used for religious or other personal reasons.

Additionally, employees receive an "Additional Holiday" each year, sometimes referred to as the "Board Holiday," which is scheduled on the day before or after Thanksgiving, the day before or after Christmas, or the day before or after New Year's Day. It is recommended that the "Additional Holiday" be used by non-represented employees on any day of the year, subject to supervisory approval.

8. Holidays: It is recommended that Lincoln's birthday no longer be granted as a paid holiday for non-represented employees.

Currently, employees of the District are granted ten paid holidays each year: New Year's Day, Martin Luther King Day, Lincoln's Birthday, Presidents' Day, Memorial Day, Independence Day, Labor Day, Veterans Day, Thanksgiving Day and Christmas Day. Outside the State of Illinois, Lincoln's Birthday is celebrated as a part of Presidents' Day. It is recommended that the District follow this practice and reduce non-represented employee

holidays by one.

Summary of recommendations:

In summary, eight non-represented employee benefit changes are recommended. The eight changes are elimination of supervisory differential, changes in overtime payment and eligibility, elimination of pay schedules GS and PM, elimination of termination pay for new employees and limitation of accrual for current employees, reduction in tuition reimbursement benefits, reduction in sick leave benefits, elimination of two optional holidays and expansion of the Additional Holiday scheduling, and elimination of Lincoln's Birthday holiday. All changes would be effective January 1, 2011.

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 September 16, 2010