



Separation Incentive Program Informational Overview

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I. SEPARATION INCENTIVE PROGRAM (SIP) DESCRIPTION

The Separation Incentive Program (SIP) is a program designed to assist the City of Los Angeles in meeting its staff reduction goals. The SIP provides a non-retirement-related cash incentive for eligible employees to retire. The cash incentive is equivalent to 2.0% of final annualized pensionable compensation for each year of service, supplemented by \$7,500. The total payment shall not exceed \$80,000.

The SIP will have a single application period taking place from July 6, 2020, at 9 a.m. and will close on August 3, 2020, at 3 p.m. The CAO will make the final determination whether applications are received on time. There will be no exceptions made for applications received outside of the enrollment timeframe. Employees who accept the SIP will retire from City service as soon as practicable after the application is approved but not before their rescission period as described in item 6 (Employee Rights) has closed and the 1,300 minimum threshold has been met. The final retirement date will be determined solely by the Los Angeles City Employees' Retirement System (LACERS).

NOTE: A minimum of one thousand three hundred (1,300) eligible employees must successfully enroll in the SIP in order for the SIP to be implemented. If the minimum 1,300 threshold is not met, the SIP will not be implemented.

1. Eligibility

Eligible employees shall be full-time employees (with exceptions as listed below) who meet both of the following criteria:

- 1) Employees who have been on active payroll status for the twelve (12) consecutive month period preceding the closing date of the SIP application period.
- 2) Employees who are eligible for a normal retirement by January 31, 2021. "Normal" is defined as eligible for a full, unreduced retirement allowance. (For Tier 1 members, that is age 55 with 30 years of service, or age 60 with 10 years of services, or age 70 regardless of years of service.) Normal retirement eligibility as of January 31, 2021, shall be confirmed by LACERS. No employee shall be scheduled for retirement until after meeting the eligibility requirements for a normal retirement.

EXCEPTIONS: Employees employed in the following civil services classifications are excluded from participation in the SIP:

- Police Service Representative
- Senior Police Services Representative
- Detention Officer
- Senior Detention Officer
- Emergency Medical Services Advanced Provider
- Emergency Medical Services Advanced Provider Supervisor
- Correctional Nurse

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Additionally, all employees employed in the following Departments are excluded from participation in the SIP:

- Airports
- Building & Safety
- Harbor
- LACERS
- LAFPP
- Library
- PW Bureau of Sanitation

Employees who return to work from a previously approved leave of absence are eligible for the SIP only if the return date was agreed to prior to applying. (The City of Los Angeles shall not approve early returns from leaves of absences for the sole purpose of allowing an employee to apply for the SIP.)

The SIP will have a single application period taking place from July 6, 2020, at 9 a.m. and will close on August 3, 2020, at 3 p.m. It is contemplated that employees who accept the SIP will retire from City service as soon as practicable after the application is approved but not before their rescission period has closed and the 1300 minimum threshold has been met. The final retirement date will be determined by LACERS'.

2. Application Period

Employees must apply for the SIP between July 6, 2020, and August 3, 2020. The deadline for SIP filing is **3:00 PM on August 3, 2020**. All forms will be made available electronically on the CAO's web site. Completed, signed forms may be submitted in one of three ways:

- 1) Emailed to CityofLASIP@lacity.org.
- 2) Delivered via US Certified Mail to:

City of Los Angeles
Office of the CAO, Employee Relations Division
James Kenneth Hahn City Hall East
200 N Main Street, Suite 1200
Los Angeles, CA 90012
Attn: Dana Brown, Chief Labor Relations Officer

- 3) Returned in person to the reception counter at the James Kenneth Hahn City Hall East Building, 200 N Main Street, Suite 1200, Los Angeles, CA, 90012. Reception area is open between 9 a.m. to 4 p.m. Monday through Friday (except holidays).

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The Employee Relations Division will respond to all electronic paperwork submissions with an email receipt to verify the date and time that paperwork was received. Receipt of an application does not mean the application has been approved. Separate notification will be sent after the application has been reviewed and approved.

3. Incentive Payment Guidelines

All SIP cash payments will be made following the employee's retirement date from City service. If an employee is approved to take advantage of the SIP, he/she will receive two cash payments.

- The first SIP payment will be in the gross amount of ten thousand dollars (\$10,000). This payment shall be made no later than eight weeks after an employee's actual retirement date from City service.
- The second SIP payment will be in the gross amount of the remainder of the total amount of cash to which the SIP participant is entitled pursuant to the calculated total. For example, if an employee is entitled to an \$80,000 SIP payment, the second SIP payment would be in the gross amount of \$70,000 (\$80,000 minus \$10,000). This second SIP payment will be paid to the employee twelve months after the employee's retirement date.

<u>Example</u>	
Employee Age	55
Years of Service	31
Annual Salary	\$55,000

<u>SIP Offer</u>
$\$7,500 + (2.0\% \times \text{Years of Service} \times \text{Annual Salary})$

<u>SIP Calculation Based on Example</u>	
$2.0\% \times 31 \text{ years} \times 55,000$	= \$ 34,100
	<u>\$ 7,500</u>
This hypothetical employee's SIP amount would be:	\$ 41,600

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Payments shall be in compliance with all required tax withholdings calculated by the Controller's Office. The CAO does not have any role in calculating or determining tax requirements of the lump-sum SIP payments. Employees who participate in the SIP are solely liable for all tax consequences. A tax consultant should be consulted if an employee has related questions.

4. Application and Employee Agreement

Employees who wish to participate in the SIP must complete, sign, and return the SIP Application and Employee Agreement (Appendix B). All forms must be completed, signed, and returned in accordance with the requirements enumerated above (Application Period).

Under terms of the SIP Employee Agreement, employees participating in the SIP further agree to pay back the compensation of the SIP, in full or in part as described below, if they are employed in any capacity by, or receive a personal services contract from, any City agency, including proprietary departments, within three years from the date of separation. The amount repaid by the employee shall be either:

- a. The full amount, if within 12 months of the separation date, or
- b. A pro-rated amount, if within 36 months but more than 12 months of the separation date, based on the time elapsed since the separation date.

The CAO shall have the sole and final authority to make the determination about the appropriate amount to be repaid. A pro-rated amount shall be calculated by the CAO, the calculation of which shall be final and cannot be appealed.

The City is in no way obligated to allow an employee who retires under the SIP to return to work in any capacity, regardless of whether the employee is willing to repay SIP compensation. The CAO, at its sole discretion, may waive this repayment provision for employees whose services are needed to respond to a local emergency (as defined in Los Angeles Administrative Code Section 4.22) declared by the Mayor and approved by the City Council. These waivers are at the sole discretion of the CAO as to the number, classification, and individuals needed.

This agreement does not prohibit the SIP recipients from applying for and accepting appointments on City Boards and Commissions, or as per-diem hearing officers and committee members so long as those applications and appointments are otherwise consistent with the City requirements and City Ethics guidelines.

This agreement does not prohibit the CAO and individual departments from determining that in their discretion, an individual SIP recipient is necessary for particular purposes and may be rehired by their prior employing department for 120 day contracts with the approval of the Mayor and consistent with IRS requirements

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5. Making an Informed Decision

The City strongly encourages employees and their families to make informed decisions regarding their participation in the SIP. Employees are encouraged to visit the LACERS website for information or to ask questions on retirement benefits, including LACERS sponsored health plans at lacers.services@lacers.org, or consult other advisors as appropriate to discuss retirement benefits, and financial planning that would assist them in making decisions in their own best interest. An employee who applies for the SIP and does not invoke rescission under the terms of the SIP agreement shall hold harmless the City of Los Angeles for any and all outcomes, damages, or other repercussions resulting from the decision to retire and participate in the SIP.

6. Employee Rights (Rescission)

Employees shall be permitted to rescind a SIP application by 3:00 p.m. of the day which falls seven (7) business days after they have submitted a completed SIP application, but in no event later than 3:00 PM on August 10, 2020. Employees making the decision to rescind and withdraw their SIP applications have the responsibility to do so with the Employee Relations Division by submitting a Letter to Rescind Participation (Appendix C) utilizing one of the three delivery methods outlined in Item #2 above (Application Period).

7. Accumulated Overtime Usage

Employees will be allowed to use, immediately prior to retirement, any balance of accumulated overtime, up to the maximum allowed by their Memorandum of Understanding (MOU), as opposed to being paid for the balance of banked overtime after retirement.

8. Accumulated Time Pay Out

Employees will be paid for the balance of any unused vacation and overtime upon separation from the City in accordance with an employee's MOU. Employees who retire will also be paid for the balance of any unused sick leave in accordance with their MOU and the Los Angeles Administrative Code.

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9. Benefits

If an employee chooses to retire with the SIP, all existing Los Angeles City Employees' Retirement System (LACERS) benefits and limitations will apply, including medical and dental benefits.

Retiree cost for health insurance may vary depending on the plan selected and the number of dependents covered. The current maximum subsidy the City pays toward retiree medical plan premiums is \$1,790.80 per month and dental plan premiums is \$44.60 per month. However, the amount of an employee's individual subsidy is based on his/her years of Service and Service Credit. For more information about medical and dental benefits, and subsidies, employees may contact LACERS at (800) 779-8328.

Any Deferred Compensation Plan benefits, if applicable, should be computed based on the employee's individual account. Please contact the plan administrator for the exact amount and to discuss payment options that may be available.

10. Tax Considerations

Employee's SIP payment is taxable in the calendar year in which it is paid to them and is subject to withholding taxes.

If employees began working for the City after April 1986, they are also subject to Federal Insurance Contributions Act (FICA) taxes.

Since the tax consequences of accepting the SIP vary with each individual, employees are encouraged to consult with their tax advisor or financial planner for the specific impact on their situation.

II. RETIREMENT

1. LACERS Tier 1 Retirement Eligibility

Los Angeles City Employees' Retirement System (LACERS) members who choose to retire must meet one of the following requirements to be eligible for Normal Retirement:

- 70 years of age or older, regardless of length of City Service
- 60 years of age or older, with at least 10 years of Continuous Service*
- 55 years of age or older, with at least 30 years of City Service*

*Five years at least must be actual Continuous City Service.

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2. Retirement Process

Applications for SIP which are approved by the Office of the CAO, Employee Relations Division will be forwarded to LACERS. LACERS will notify the SIP employee by email or US mail of their scheduled retirement effective date.

A Retirement Package, including the SIP retirement application, an estimate letter with monthly retirement allowance options, a list of required documents, and all ancillary retirement paperwork will also be sent via email or US mail to the employee and will include a link to a video on how to complete the retirement package and an invitation to an optional question and answer webinar.

It is advisable the employee compiles important documents such as his or her birth certificate, spouse's birth certificate (if applicable), marriage certificate (if applicable), any divorce court order affecting retirement, and all documents verifying termination of any prior marriages of the employee or their spouse in preparation for completing the retirement package.

Any questions regarding the retirement package or the retirement process should be directed to LACERS at lacers.services@lacers.org.

3. Health and Dental Care Coverage

As a retiree of the City, employees are entitled to enroll in a LACERS medical and/or dental plan. The City may subsidize some of the cost of this coverage, based on your eligibility. The amount of the subsidy varies according to an employee's years of Service and/or Service Credit at the time of retirement. Employees must enroll within 60 days of their retirement effective date.

Retirees are eligible for a subsidy if they are at least age 55 and have 10 years of Service. Those who have 25 or more years of Service Credit are eligible for the maximum retiree subsidy. The maximum retiree medical plan subsidy for contract year 2020 is \$1,790.80 per month. The maximum retiree dental plan subsidy for contract year 2020 is \$44.60 per month. A subsidy may only be used to cover the plan premium cost; any remaining subsidy is not paid out as cash.

Retirees may add dependents, enroll in and/or change medical and dental plans at the time of initial enrollment, due to a recognized qualifying event, or during the annual open enrollment period, which starts each October. For more specific information regarding the retiree medical and dental premium subsidies contact LACERS.

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III. FREQUENTLY ASKED QUESTIONS AND ANSWERS

1. Program Participation

- **If I am in one of the identified classifications, do I have to accept the Separation Incentive Program?**

No. The SIP is entirely voluntary.

- **Can I participate in the Separation Incentive Program (SIP) if I am in one of the excluded classifications or departments?**

No. Only persons meeting all of the eligibility requirements and are in eligible classifications and departments can apply for the SIP.

- **How long do I have to decide if I want to take advantage of this offer?**

Employees wishing to participate in the SIP have until 3:00 PM on August 3, 2020 to file their application. The Office of the CAO, Employee Relations Division will respond to all electronic paperwork submissions with an email receipt to verify the date and time the paperwork was received.

- **If I choose to participate in this program now, will I still be able to change my mind later?**

Employees have seven (7) business days after they have submitted a completed SIP application to rescind their decision and withdraw the SIP application. In no event shall applicant be allowed to rescind the SIP application after 3:00 PM on August 10, 2020. Employees making the decision to rescind and withdraw their SIP applications have the responsibility to do so with the Office of the CAO, Employee Relations Division by submitting a Letter to Rescind Participation (Appendix C) using one of the three methods described for submitting an application. The Office of the CAO, Employee Relations Division will respond to all electronic paperwork submissions with an email receipt to verify the date and time the paperwork was received.

- **If I decide to leave early, can I choose the date of my retirement?**

Employees who accept the SIP will start departing City service as soon as practicable after the application is approved but not before their rescission period has closed and the 1300 minimum threshold has been met. The final retirement date will be determined by LACERS'.

- **I already accepted another job offer and left City service before the SIP was formally offered. Will there be a "grandfather clause" for employees like me so that we can still take advantage of the SIP?**

No. Only individuals who are currently on the City's payroll will be eligible for the SIP.

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2. Re-employment

- **Is there any chance of returning to work for the City after being granted the SIP?**

Yes. You may return to City service only under Charter Section 1164 if approved by the Mayor. However, if you return to City service in any class within three years of leaving the City, or you receive a personal services contract from any City agency, including proprietary departments, you must pay back some or the entire SIP amount you received. However, the City is not obligated to accept the return of individuals willing to repay their SIP amount. Re-employment for retired employees can be approved by the Mayor under very limited circumstances.

The City may also waive repayment provision for employees whose services are needed to respond to a local emergency declared by the Mayor and approved by the City Council.

- **If I return to the City within three years, how much will I have to repay?**

You will have to repay the full amount if you return within 12 months (i.e. 365 days) of your separation date. You will repay a pro-rated amount if you return between 12 months and one day (i.e. 366 days) and 36 months (i.e. 1,095 days), depending on how much time has elapsed.

3. Separation Incentive Program Payment

- **Will I be able to reduce the tax impact of my cash incentive by spreading out the payments?**

No. The terms of the cash incentive payments have been agreed upon by management and labor and adopted by the City Council.

- **What are the tax consequences of accepting this lump-sum cash payment?**

Since tax consequences vary with each individual, you are encouraged to consult with your tax advisor or financial planner for the specific impact on you.

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4. Benefits

- **Will I receive payment for my vacation and sick time?**

You will receive payment for any unused accumulated vacation and/or overtime hours at the time you separate from City service in accordance with City policy and your individual Memorandum of Understanding (MOU) agreement.

You will also receive payment for accumulated sick leave in accordance with City policies and your MOU.

5. Assistance and Service

- **Will the City provide counselors to answer questions to help me decide whether to accept the SIP?**

After speaking with representatives from the appropriate Departments (i.e. LACERS, Personnel Department Employee Benefits Office), any additional questions may be directed to the Office of the CAO, Employee Relations Division at cao.erd@lacity.org.

- **If I retire from the City, will I lose my membership in the Los Angeles Federal Credit Union?**

No. You and your family members retain your lifetime membership in the credit union.

- **What happens to my membership in the City Employees' Club of California if I leave?**

You may convert your term life insurance and accidental death and dismemberment insurance upon leaving City service. You may continue your disability insurance coverage after leaving City employment. For more information, call (800) 464-0452.

6. What happens if I already have a retirement application on file with LACERS?

You will need to withdraw your application and wait to receive the official SIP retirement Application from LACERS.

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7. Important Phone Numbers

if you have any additional questions regarding retirement benefits, health and dental care costs, or deferred compensation please contact the appropriate agency whose telephone number is listed below:

- Los Angeles City Employees' Retirement System (800) 779-8328
- Los Angeles Fire & Police Pensions (213) 279-3000
- COBRA (213) 978-1600
- Deferred Compensation (213) 978-1636
- Employee Assistance Program (EAP) (800) 213-5813
- City Employees' Club of California (800) 464-0452
- City Employee Benefits Office (213) 978-1655
- Los Angeles Federal Credit Union (213) 484-8640
(818) 242-8640
(800) 252-4009
- The Standard Insurance Company (800) 368-2859