




**CITY OF NEWARK
DELAWARE**

CONFIDENTIAL EXECUTIVE SESSION PERSONNEL CORRESPONDENCE

March 13, 2017

TO: Mayor and City Council

FROM: Carol S. Houck, City Manager 

SUBJECT: City Manager Limited Early Retirement Incentive Option (ERIP) with Long Term Savings Opportunity

In recognition of Newark's successful efforts to reduce costs associated with legacy pension and other post-employment benefits (OPEB) funding, this limited term early retirement option for my position provides time for my voluntary consideration of the proposal, pending Council support, as well as addresses succession planning and the realization of a long-term savings opportunity for the City. Recognizing that I have an employment agreement, unlike all other employees and to provide the benefit of an orderly succession plan for the Chief Administrative position of our organization, the following considerations are offered:

- Limited availability for my election period between March 15 and April 15, 2017.
- Consideration that I have shared my intention to have remained in City of Newark employment for another 10 to 12 years.
- Alignment with existing employment contract separation terms, previously negotiated.
- Recognizes my election (if offered and accepted) to retire from employment effective at the earliest May 15, 2017 or the latest June 15, 2017 (providing 60 days' notice per existing agreement and under the rule of 85 scenario).
- Realization of long term savings (allowing for financial reset of successor being under new benefit programs).
 - \$42,232 saved in 2017 and annually thereafter (today's value); and
 - \$422,320 minimum saved (before incentive) if Manager Houck continued in position for 10 years at same salary level as outlined below:

▪ Annual pension cost savings vs. same salary in DC plan	\$22,595
▪ Annual OPEB savings vs. same salary in DC plan	\$ 9,505
▪ Annual Longevity Pay	\$ 1,000
▪ Annual Sick Payout to Houck (based on past 3 years avg.)	\$ 3,168
▪ Annual Service Award (based on past 3 years avg.)	<u>\$ 5,964</u>
	\$42,232

- Limited Enhanced Retirement Option Details:
 - 6-month's wages and benefits aligned with existing Employment Agreement (attached) valued at \$74,418 (paid out over 6 months or lump sum option - before taxes).
 - Funding:
 - Actual 2017 savings/cost avoidance noted above (\$42,232)
 - Additional anticipated wage savings associated with salary reset/recruitment delay Interim Manager/Deputy City Manager (estimated at \$10,000 - \$20,000)
 - Conference, training, mileage reimbursement and phone allowance savings for remainder of 2017 (estimated at \$5,000)
 - Further improvement to the overall aggregate savings of all 2017 ERIP acceptances, multiplied in the out years.
- Final Long Term 10-year Savings Assuming Manager Houck remained employed Newark/less separation cost:
 - Approximately \$347,902 (today's value).

If Council is inclined to support this Limited Early Retirement Option for the City Manager the following motion under the advisement of City Solicitor Herron would satisfy and begin the limited term for my consideration:

Move to approve a limited early retirement option for the City Manager by amending Section III. A. of the City Manager's Employment Agreement dated October 22, 2012 to add the following sentence: "Should the City Manager resign upon 60 days' notice effective between May 15, 2017 and June 15, 2017, the City agrees that she shall be entitled to separation pay as set forth in Section III. B. 1. of her Employment Agreement."