

Item # 9B
Date: 4/14/25

COUNCIL ACTION FORM

AGENDA ITEM: Allow Paid Leave Converted to Health Insurance Premiums Upon Retirement

HISTORY:

In the current City Handbook it states for Vacation, "Upon resignation or termination, an employee shall be paid for all unused accrued vacation time". It also states regarding sick leave, "All employees who retire and apply for retirement benefits (IPERS or other similar retirement programs) may have their sick leave balance paid to them, up to a maximum of \$1,500. Upon death of an employee, their accumulated sick leave, up to \$1,500, will be paid to the estate. In either case, the payment due will be calculated at the employee's current hourly rate of pay.

It also states in our Handbook, "Employees who retire from City employment before age 65 are eligible to continue in the City's group health insurance plan up to age 65. Coverage must be continuous, that is, the employee must elect the same coverage at retirement, and the retired employee must pay the full cost of the premium".

The Union Contract states the same thing as the City Employee Handbook.

The proposed Resolution No. 061 is to allow City Employees who retire from the City and are age 55 or older and have met the rule of 88 to bank with the city, some or all of their Vacation, Comp Time or Sick leave payout (maximum of \$1,500 if available), to use for future health insurance premiums they would be responsible for. Staff would calculate their payout at time of retirement and subtract the monthly insurance payments as they are made until such time the former employee turns 65, requests for the insurance to end, or passes away.

This proposal would not cost the City any additional dollars and could save some through taxes. It also allows any payouts to be spread out over a couple years rather than all in one year.

In analyzing "potential" employees, there could be 6 employees eligible now and 4 in the next 5 years. This doesn't mean they all would take advantage of it or even that they are going to retire now or in the next 5 years. It just gives them the option to use their vacation payout in another way.

OPTIONS:

1. Proceed to Resolution No. 061
2. Make changes to Resolution No. 061
3. Do nothing at this time.

**CITY OF NEVADA, IOWA
RESOLUTION 081 (2024/2025)**

**A RESOLUTION TO ALLOW PAID LEAVE TO BE CONVERTED TO HEALTH
INSURANCE PREMIUMS UPON RETIREMENT**

WHEREAS, City employees earn vacation leave and sick leave accrual in accordance with the Employee Handbook or relevant union contract; and

WHEREAS, City employees may also accrue compensatory time in lieu of overtime pay, in accordance with the Employee Handbook; and

WHEREAS, under current policy, upon retirement or separation from employment, employees' vacation leave balance is paid to them in a lump sum (calculated at the employee's current rate of pay); and

WHEREAS, under current policy, upon retirement or separation from employment, employees may have their sick leave balance paid to them (calculated at the employee's current rate of pay), up to a maximum of \$1,500.00; and

WHEREAS, current City policy allows retiring employees to remain on City health insurance until the age of 65; and

WHEREAS, upon retirement from the City, the City wishes to allow eligible employees to, instead of receiving the aforementioned payments in a lump sum, use their accrued vacation leave balance, their accrued compensatory time, and the sick leave balance (up to \$1,500.00) for future medical insurance premiums in accordance with any IRS publications and regulations in effect at the time of the employee's retirement.

NOW, THEREFORE IT BE RESOLVED, the City Council of the City of Nevada, Iowa, authorize the following:

Section 1. Upon retirement from the City, the City will allow eligible employees to convert their accrued vacation leave bank, their accrued compensatory time, and accrued sick leave bank (up to \$1,500.00) to a fund for payment of future medical insurance premiums in accordance with any IRS publications and regulations in effect at the time of the employee's retirement.

Section 2. To be eligible, an employee must be age fifty-five (55) or older, have reached the rule of 88, and retire from the City in good standing.

Section 3. Upon retirement, eligible employee's will have the option of converting all or part of their unused vacation leave balance, accrued compensatory time and sick leave balance (up to \$1,500.00).

Section 4. The eligible employee's paid leave hours will be multiplied by the employee's regular hourly wage, which amount will be placed in their insurance payment bank. The amounts placed in the insurance payment bank have no cash value, other than for purposes of paying the retiree's future health insurance premiums.

Section 5. Upon reaching the age of 65, death of the retiree, or the retiree no longer needing insurance coverage, any remaining insurance payment bank balance will be paid to the employee or their estate.

Passed and approved by the City Council of the City of Nevada, Iowa, on this 14th day of April, 2025.

Ryan Condon, Mayor

ATTEST:

Kerin Wright, City Clerk

Moved by Council Member __, seconded by Council Member __, that Resolution No. 081 (2024/2025) be adopted.

Ayes: __

Nays: __

Absent: __

The Mayor declared Resolution No. jjj (2024/2025) adopted.

I hereby certify that the foregoing is a true copy of a record of the adoption of Resolution No. 081 (2024/2025) at the regular Council Meeting of the City of Nevada, Iowa, held on the __th day of April, 2025.

Kerin Wright, City Clerk