



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Mark Danaj
Scott P. Johnson

SUBJECT: SUPPLEMENTAL SALARY
AND BENEFITS FOR CITY
MILITARY RESERVISTS

DATE: November 26, 2007

Approved

Ray Wener

Date

12/6/07

COUNCIL DISTRICT: Citywide
SNI AREA: N/A

RECOMMENDATION

It is recommended that the Council:

- 1) Extend the provisions of Resolution 73180 through December 31, 2008 to enable the City to continue to provide supplemental pay and benefits, pursuant to Resolution 73180, to employees who are military reservists and who are called to active duty; and,
- 2) Direct staff to continue to meet with reservists prior to and upon return from deployment to ensure accurate payment and reconciliation of supplemental pay and benefits received by the reservist.

OUTCOME

As previously discussed, Human Resources has revised and improved the City's informational packet for reservists and currently meets with each reservist prior to his/her deployment and upon his/her return from active duty to ensure accurate payment and reconciliation of supplemental pay and benefits. In addition, the Finance Department and the Retirement Services Department have developed written procedures for the reconciliation process which has helped to resolve many of the prior issues involving the military leave reconciliation process. Extending Resolution 73180 through December 31, 2008 will allow the program to continue.

BACKGROUND

Eligible City employees who are military reservists receive their full salary and benefits continuation for thirty (30) calendar days per fiscal year when engaged in specific military duty, including active military training, encampment, naval cruises, special exercises, or like activity. This is a continuing policy that is contained in City Policy Manual Section 4.2.2.

In situations of significant military action, such as the war on terror following September 11, 2001, the City Council, from time to time, has enhanced the benefits for reservists who were called to active duty beyond the thirty (30) calendar days referenced above. Specifically, the City has paid the difference between the employee's military pay and the pay they would have received as a City employee (military supplemental pay). If the military pay (including base pay and allowances which constitute additional compensation) is more than the City would have paid the employee, then the employee is not eligible to receive the military supplemental pay. In addition to the salary supplement, the City continues the employee's health and dental benefits, and continues the employee's vacation and sick leave accruals. Upon the employee's return to City service, the City reconciles and pays the retirement contributions owed by both the City and the employee for any hours the employee was on active duty and not receiving full pay.

A resolution was adopted on May 8, 2006 extending the enhanced military leave program to eligible City employees who are called to active military duty during the period from January 1, 2003 to December 31, 2007, for reasons related to terrorist attacks or impending or actual armed conflict. Employees who are also reservists are required to sign an agreement prior to leaving for active duty assignments beyond thirty (30) days per fiscal year. By signing this agreement, the employee acknowledges that there may be overpayments due to variations in military pay and that they will be required to repay the City for any such overpayments. As recently revised, the agreement now enables the City to recover any excess payments through payroll reduction and/or a reduction in any final payment to an employee. Though, more timely reconciliation and active account management on the part of the city are now minimizing any excessive over/under payment of benefits.

The following table illustrates how supplemental pay is calculated for a Police Officer:

	City Compensation (Monthly)	Military Compensation (Monthly)
Basic Monthly Rate	\$6,172.80	\$3,245.90
Special Pay	\$1,100.00	\$360.00
Total Monthly Pay	\$7,272.80	\$3,605.90
Difference in Pay	\$3,666.90 (\$7,272.80 - \$3,605.90)	
Amount of Supplemental Pay	<u>\$3,666.90</u>	

Various issues, such as the reconciliation process for supplemental pay, have been discussed at the various Council and Rules Committee meetings over the past few years. During these meetings, City staff informed the Council and the Committee that the City Manager's Office, the Retirement Services Department and the Finance Department were working on responding to and resolving the ongoing issues regarding supplemental pay for military reservists on active duty. In addition,

Human Resources took over the role of Military Leave Liaison, revising policies and procedures and actively assisting reservists to repay the City monies owed as well as providing payment to those individuals who were underpaid while deployed.

ANALYSIS

Reconciliation Issues

Since January 2003, 61 reservists have been called to active duty and eight reservists are currently on active military duty as of week ending November 10, 2007. These reservists have served 416 total tours, of which 96% have been reconciled by the Finance department. The City is waiting on full documentation from seven reservists (one active) for eight past tours that have not been reconciled, pending the necessary documentation. As of November 13, 14 reservists owe the City for prior overpayments totaling approximately \$159,000, of which ten reservists have not responded to overpayment notification letters sent from the Human Resources Department and four reservists have been on active duty. The Finance Department is in the process of formally invoicing the reservists who have not responded to our notices and/or have not signed repayment agreements. Again, enhanced procedures and a more active monitoring of reconciliations are in place to avoid these inordinate over/under payments that occurred previously.

Retirement Contributions

The Finance Department and Retirement Services continue to work together to ensure that employee/employer contributions are made upon an employee's return to City Service and that the appropriate amount of service credit is applied. Finance staff and Retirement Services staff are investigating alternatives for automating the current manual process for posting the military service credits, similar to that for regular employee retirement service hours.

Eligibility for Supplemental Pay

In accordance with resolution 73180, an employee who is a military reservist, and who has been called to active duty for longer than thirty (30) days per fiscal year related to terrorist attacks or actual or impending armed conflict, is also eligible to receive supplemental pay and benefits through December 31, 2007. Extension of this Resolution will enable the program to continue through December 31, 2008.

Military Leave Liaison

The Human Resources Department currently serves as the City's Military Leave Liaison and is available to assist City employees who are also called to active duty with any questions or issues they may have regarding military leave and/or supplemental pay and benefits. In an effort to help minimize the overpayment issues in the future, Human Resources has updated and improved the informational packet that is provided to City employees who are also reservists prior to their departure for active duty assignments longer than thirty (30) days. This information and explanation

is generally provided in face to face meetings with Finance staff and the reservist. During these meetings, the information packet is explained, outlining specific documentation that the City needs to receive from the employee in order to properly calculate the amount of supplemental pay. One key component of this information packet is the U.S. Department of Defense Finance and Accounting Service (DFAS) release form to be completed by the reservist. This form authorizes military compensation information for a reservist to be sent directly to the City from the Department of Defense. In addition to the reservist's information packet, Human Resources also posted all forms and notices related to Military Leave on the Intranet to enable easy access by all employees.

For those reservists who have signed the DFAS release form, the City receives reservist compensation information on a timely basis which has greatly aided in the accurate calculation and adjustment of supplemental military pay. The DFAS compensation information is provided to the City on the date the military pays the reservist, thus allowing the City to adjust supplemental military pay on the next City pay cycle, greatly reducing the potential for over or under payments. Those that have not signed DFAS release forms are either not entitled or have not requested military supplemental pay from the City.

The Office of Employee Relations has also worked to inform employees of their rights under the Uniformed Services Employment and Reemployment Rights Act (USERRA) by posting the appropriate USERRA notice in the same locations that other required workplace notices are posted. The Office of Employee Relations maintains an intranet page that contains links to all of the required workplace notices, including the USERRA notice.

Veterans' Preference

During this past year the Council adopted a Veterans' Preference system in accordance with State law (Government Code Section 50088) which enables veterans to receive hiring preference when competing for certain specified "entry-level" City jobs.

PUBLIC OUTREACH/INTEREST

The purpose of this section is to describe discussions that have occurred with the public, stakeholders, community groups and/or other governmental agencies. Staff will be asked to use the following checklist to determine if items are to be considered items of "Significant Public Interest", thus requiring additional notification per the matrix below. Please note the outreach that was done.

- Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**

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- Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

These modes of notification should only supplement outreach efforts undertaken or are planned to be undertake. Additional outreach should be noted as a result of the determination that the item was of "Significant Public Interest."

Public Outreach does not apply to this item; however, this item will be placed on the December 18, 2007 Council Agenda.

COORDINATION

The Human Resources Department, the City Manager's Office, the Finance Department, the Police Department, and the Department of Retirement Services have been working together to ensure that Military Leave and supplemental pay and benefits are administered appropriately. We continue to work together to thoroughly and promptly reconcile reservists upon their return to City employment.

COST SUMMARY/IMPLICATIONS

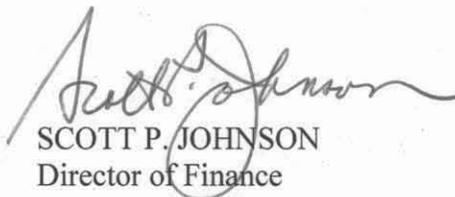
The adopted budget already provides full salary and benefits for these employees. Therefore, no additional appropriations will be required to fund the recommendation since these personnel costs are currently budgeted.

CEQA

Not a project.



MARK DANAJ
Director of Human Resources



SCOTT P. JOHNSON
Director of Finance

For questions please contact Jeanne Groen, Benefits Manager, at 408-975-1428.