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## SALT LAKE CITY COUNCIL STAFF REPORT

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DATE: April 18, 2003  
SUBJECT: **Military Leave Benefits**  
AFFECTED COUNCIL DISTRICTS: Citywide  
STAFF REPORT BY: Gary Mumford  
ADMINISTRATIVE DEPT. AND CONTACT PERSON: Department of Management Services  
Brenda Hancock

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### KEY ELEMENTS:

In response a Council Member's inquiries regarding the City's military leave benefits, the Administration looked at how the City's military benefits compare with that of other employers. The City's Human Resource Division surveyed 23 city and county governments and a couple of private employers. Although the survey showed that Salt Lake City's practice measured up to the general practice, follow-up discussions with these employers indicated that several were considering enhancing military benefits. Salt Lake City's military benefits were not always consistent between employee groups. After further analysis including calculating cost estimates, the Administration is proposing several modifications to military leave benefits. The City's Citizen Compensation Advisory Committee discussed the survey and endorsed the Administration's recommendations.

The Administration is proposing the following military leave benefits:

- Provide two weeks of full pay per year. (No change from existing practice except for operations/maintenance and technical/clerical employees that received supplemental pay - the difference between their City salary and their military salary -- for 15 calendar days rather than full pay.) This change is not included in the proposed ordinance. The Administration proposes to open the union contract to make this change.
- Prior to leaving for active duty, an employee may request that accrued vacation, holiday and personal leave be paid in cash.
- Upon the employee's return, the City's pension contributions will be paid to the employee's retirement plan for military time. (No change from existing practice.)
- Upon the employee's return, vacation, holiday, and sick leave will be restored for up to one year's accrual. At the discretion of the Mayor, the employee would have the option to receive the vacation and holiday leave in cash.
- Upon the employee's return, post employment medical reimburse plan contributions would be made by the City for military time.
- Employees may continue their life insurance by agreeing to be responsible for premium costs. (No change from existing practice.)
- Employees may continue in the City's health insurance plans by agreeing to be responsible for premium costs. (No change from existing practice.)

## OPTIONS:

The Administration is requesting that the Council consider an ordinance setting forth certain benefits for employees on military leave of absence. The Administration considered other benefits but did not include them in this proposal. Other options that the Council may wish to consider include:

- Supplement military pay by doing one of the following: (a) pay the difference between City pay and military pay, (b) pay a set amount such as \$800 per month, or (c) allow the employee to use vacation or other available leave to supplement military pay.
- Continue the employee's regular City life insurance (\$50,000) at no cost to the employee.
- Continue health insurance for the employee's family at no cost to the employee or family.

## MATTERS AT ISSUE:

The survey results of 25 employers are contained in the information provided to you by the Administration. The Human Resource Division estimated the cost of providing additional military leave benefits. Since the City usually does not replace the military person, most costs are already in the budget. In Police and Fire Departments, the employees in military leave may result in considerable overtime paid for with the unused salary and benefits costs of those who are absent.

1. Supplemental pay - The City provides two weeks of full pay per year in addition to military pay with the exception of employees represented by AFSCME that receive the difference between City pay and military pay. The survey of 25 employers shows that one employer supplements the pay for up to 2 years; one employer for up to 90 days; two employers provide an \$800 monthly supplement; and eight employers allow employees to supplement military pay by cashing vacation leave. Thirteen employers provide no pay or only two weeks pay. It is very difficult to calculate the cost to the City to supplement military pay because military pay varies based on rank and types of differentials or allowances provided. In addition, military pay in a war zone is not taxable. There are about 20 City employees that have been activated with about 26 more who are subject to activation. Supplemental pay of \$800 per month for 20 employees would cost the City \$16,000 in salary costs per month or \$192,000 annually plus FICA and other benefits.

The Administration is proposing to bring AFSCME's two-week military pay benefit in line with other employee groups by opening up the contracts. Estimated one-year cost of this change is approximately \$69,000. Each year reservist or National Guard members participate in a two week summer camp except for years in which the units are call to active duty. Since the salaries for these employees are fully budgeted, there is not an additional budget needed to implement this change.

2. Accrued vacation/personal/holiday leave - The proposed ordinance will allow employees to receive cash for accrued vacation, holiday and personal leave prior to departing for active duty. Personal leave is to be paid at 50% of the employee's hourly rate. Accrued holiday leave applies to city employees that are required to work certain holidays. The Administration has not estimated the value of this cash payout, but it could be substantial. According to the proposed ordinance, in the event an employee dies while on military leave of absence, the City will pay the value of any previously accrued vacation and holiday leave to the employee's beneficiaries, plus the additional vacation and holiday leave accrued during the absence.

3. Pension Contribution – Federal law requires the City to make contributions to the employee’s pension benefit plan for the period of time the employee was activated. The proposed ordinance is not a change from the City’s current practice.
4. Accruals of vacation/holiday/sick leave while on active duty – The survey showed that 17 of the 25 employers do not continue to accrue vacation. Some Salt Lake City Police Department employees have received accrued vacation, holiday and sick leave while on active duty. This has not been the case for other Salt Lake City employees. Because a precedent has been set in the Police Department and for other “equity-based reasons,” the Administration is proposing that upon the employee’s return, vacation, holiday, and sick leave be accrued for up to one year. The proposed ordinance states that at the discretion of the Mayor, the employee would have the option to receive the vacation and holiday leave in cash. The estimated one-year cost of accruing vacation, holiday, and sick/personal leave for the 20 presently activated employees is approximately \$135,000. If the Council supports this approach, you may want to add that for employees in the legislative branch the option to receive the vacation and holiday leave in cash would be at the discretion of the Council (rather than Mayor) just to keep the ordinance consistent with other compensation ordinances relating to the legislative branch.
5. Post employment medical reimbursement contributions – According to the proposal, upon the employee’s return, the City would contribute to the 501(c)9 plan for military time on active duty. The Administration’s paperwork states that post-employment medical reimbursement plans are similar to pension plans for which federal law requires continued contributions. The City contributes \$600 per employee each year. The cost for 20 employees activated for an entire year would be \$12,000.
6. Life insurance – The City provides employees with \$50,000 of basic life insurance at no cost to employees. Employees on active duty can continue the basic life insurance by agreeing to be responsible for premium costs. The annual cost to the City for the basic \$50,000 life insurance is \$47 per employee. Additional optional life insurance is available to an employee with the entire premium being paid by the employee. Employees on military active duty can continue any optional life insurance by agreeing to pay the premium cost. The City’s basic life insurance and optional life insurance does not have a war exclusion. The City’s accidental death and dismemberment insurance does have a war exclusion.
7. Health insurance – Salt Lake City continues health insurance for 30 days after military activation. Of the 25 employers surveyed, 12 do not continue the employee’s family insurance beyond 30 days. One employer continues it for 90 days. The other 12 employers continue health insurance for one year, two years, or the duration of the leave. The attached paperwork from the City’s Human Resource Division states that most employees activated did not express an interest in continuing the City’s insurance because the military coverage is considered good and employees do not have to pay their share of the City’s insurance. Council staff’s understanding is that the family can arrange for primary care from a doctor near their home, or the family can visit the clinic at Hill Air Force Base without paying any copays. There are no copays for prescription drugs under military health insurance. Employees may continue in the City’s health insurance plans for their families by agreeing to be responsible for premium costs. This may be particularly

important if a family member doesn't want to change doctors or medical providers. The ordinance doesn't propose any changes to this practice. One-year cost to the City for continuing medical health insurance benefits would be \$109,200 for 20 employees (\$5,460 per employee per year).

CC: Rocky Fluhart, David Nimkin, Brenda Hancock, Vic Blanton, DJ Baxter