



21 South Elm Street • Zeeland, Michigan 49464 • (616) 772-6400 • FAX (616) 772-5352

TO: PERSONNEL COMMITTEE:

- Mayor Klynstra
- Mayor Pro Tem Gruppen
- Councilman VanDorp
- BPW Commissioner Chairperson Boerman
- BPW Commissioner Vice-Chair Cooney
- BPW General Manager Boatright
- Timothy R. Klunder, City Manager
- Kevin Plockmeyer, Finance Dir./Assistant City Manager

FROM: Tim Klunder, City Manager

DATE: February 7, 2025

RE: Personnel Committee Agenda

**Wednesday, February 12
4:00 p.m.
Zeeland City Hall
Main Floor Conference Room**

AGENDA

The agenda for the meeting is:

1. Employee Comments
2. Earned Sick Time Act
3. Retiree Benefit Policy Update
4. City Performance Incentive Program Update
5. PA 152 Update
6. Closed Session – Union Negotiating Strategy
7. Other



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PERSONNEL COMMITTEE MEMORANDUM

TO: Mayor Klynstra and Personnel Committee Members

FROM: Tim Klunder, City Manager

SUBJECT: Earned Sick Time Act (ESTA) - Proposed 2025 Handbook Change

DATE: February 10, 2025

CC: February 12 Personnel Committee Meeting

Last fall our leadership team informed the Personnel Committee on our efforts to update our Employee Handbook to comply with the Earned Sick Time Act (ESTA) by the February 21, 2025 deadline. However, we also recommended that the Personnel Committee not approve the changes last fall as we were informed that the State Legislature may amend some of the Act's provisions prior to February 21, 2025. As of the writing of this memo, both the House and Senate have passed their own versions of amendments to the Act, but neither chamber is willing to accept the other chamber's version. (A brief update from the Michigan Municipal League on each chambers version of revisions is attached and highlighted.) This leaves us in a bit of a quandary on what to do?

At this point in time, after consulting with HR Solutions, we are recommending that we proceed with adopting the proposed changes to comply with ESTA with the provision that *"additional changes may be necessary as Lansing is still actively working on legislative revisions."* In that regard, in speaking with HR Solutions, the fact that we will continue to maintain a separate sick bank, rather than a combined paid time off bank, we would likely not have significant changes from the existing ESTA if the Legislature does make new revisions. Additionally, if they do in fact agree on revisions in the near term, they would likely provide a 90-day timeframe for organizations to comply with any revisions to ESTA. Thus, giving us time to work on any new revisions.

With the recommendation to proceed with our ESTA changes in spite of some continuing uncertainty at the legislative level, a review of what the ESTA changes will bring forth is in order.



As we first reported last fall, a review of our sick time policies started with the Michigan Supreme Court decision in late July (2024) requiring the city to amend our existing Paid Sick Leave policy to comply with the Earned Sick Time Act (ESTA) by February 21, 2025. The proposed changes to align with existing ESTA rules effective February 21, 2025 can be found on the attached red-line excerpts of sick time from our employee handbook – note they are the same as presented last fall. Summaries of the significant changes are:

- All employees that are issued a W2 would be eligible for paid sick time. This includes positions such as crossing guards, election works, etc. Currently, only part-time employees that average or are scheduled 25 hours or more per week are eligible for paid sick time.
- Earned sick time would be at a rate of 1 hour for every 30 hours worked (hours worked includes all leave except on-call hours). Current is 1 for every 35 hours worked with a cap of 2 hours per pay period.
- Assuming a full-time employee works 2,080 hours annually, they would accumulate 69.33 hours in a year. However, if an employee works overtime, those hours are included in the 1 hour/30 hours worked calculation and there is no annual maximum that can be earned. Currently, an employee may earn a maximum of 48 hours annually.
- There is no rollover cap on accumulated sick hours. Currently, employees may only accumulate a maximum of 144 hours.
- Full-time employees may be limited to 144 hours of sick time use in a calendar year. Part-time employees may be limited to 72 hours of sick time use in a calendar year.
- Expanded the definition of a “family member” regarding the eligible use of sick time.

A couple of clarifications to questions we had last fall when discussing ESTA. Per the Department of Labor and Economic Opportunity's frequently asked questions website posting (attached), (1) elected officials and members of publicly appointed boards and commissions are not eligible for ESTA. (2) Members of our collective bargaining units (Electric, Water, Clean Water Plant and Police) will continue under the terms of sick time in their agreements until they expire (June 30, 2025), are renewed, extended, or otherwise renegotiated.



While it is certainly unfortunate that there remains some uncertainty on if the Legislature will revise ESTA in the near future, we feel it is necessary to proceed with the current ESTA requirements as of February 21, 2025. However, we are recommending that we also note that additional changes to these new ESTA requirements in our handbook may be required if the Legislature revises ESTA. This provision may seem unnecessary as the city has a history of complying with state law. However, we feel it is good to be transparent with our team members given the uncertainty at the State.

Recommendation – Our leadership team recommends that the Personnel Committee moves to recommend to City Council to approve Employee Handbook updates to comply with the Earned Sick Time Act effective February 21, 2025, with the understanding that additional future changes to the handbook (as approved by City Council) may be necessary as the State Legislature is actively working on legislative revisions to ESTA.

A handwritten signature in black ink, appearing to read "Timothy R. Klunder".

Timothy R. Klunder, City Manager

FEEL THE ZEEEL

Pay Goes Beyond Your Paycheck

There are a lot of ways that we invest in your “pay” that go beyond what you see in your paycheck. For many employees, the value of these other forms of pay can be more than a third of what you are being paid – increasing your total compensation to a much higher level than you initially thought.

Based on your regular schedule, you may be eligible for benefits such as:

- Medical Insurance
- Dental Insurance
- Short-Term Disability Insurance
- Long-Term Disability Insurance
- Life Insurance & AD&D
- Health Savings Account (HSA)
- Flexible Spending Account
- Deferred Compensation Plan (457)
- Retirement Health Savings
- 401(a) Plan
- Employee Assistance Program
- Longevity Pay
- Tuition Reimbursement
- Child Adoption Benefit
- Paid Vacation Time
- Paid Personal Time
- Paid Sick Leave ([Earned Sick Time Act](#))

If you are a new hire, the details for which of these benefits apply are explained at the time of the offer. Some of these programs have legal documents that define how they work, and if present, a legal document is always the deciding factor in how a Plan operates. We also make the Summary Plan Documents (SPDs) available to you – just contact the City Clerk / Personnel Assistant and ask for them or if you have questions on how these Plans work.

Paid Time Off and Unpaid Leaves

Whether it is for a much-needed beach trip, long weekend, family commitment, or illness, we know that everyone needs a little time away. There are two types of leave, both paid and unpaid.

Paid Vacation Time

Depending on your role and employment status, you may have paid vacation time provided for many of these situations. The amount of paid vacation time you receive is explained at the time of offer and increases according to our Regular Full-time Vacation schedule below:

Upon Hire	2 Weeks
Upon completion of six (6) years of service	3 Weeks
Upon completion of thirteen (13) years of service	4 Weeks
Upon completion of twenty-three (23) years of service	5 Weeks

When you need time away from work, you need to obtain prior approval from your supervisor, and properly record it on your timesheet for accurate record keeping. Please keep in mind we will make our best effort to accommodate requests, but your supervisor needs to balance other demands such as community needs and your co-worker's requests before final approval can be granted. There may be certain times when a “black-out” period may be necessary for certain departments in which vacation time may not be granted due to projects, events, or deadlines that need to be met.

For hourly employees, vacation time is paid at your straight time hourly rate at the time the vacation time is taken, excluding any premiums. For a salaried employee, vacation time is paid at their regular salary rate. Please note, vacation time is awarded each anniversary year for full-time employees. Up to 80 hours of paid vacation time can be rolled over into the next anniversary year for unique circumstances approved in advance by the City Manager or the Board of Public Works General Manager. If you have a balance of earned and unused vacation time, we will pay it out as long as you have given a proper 2-week working notice and were not let go. Paid vacation time is counted as worked hours for overtime or compensatory time off purposes.

[Regular Full-time, Hourly Non-Exempt Fire Department employees should refer to Appendix H in this Employee Handbook for specific details regarding their paid vacation time.](#)

Alternate Paid Vacation Schedule

In the event that at the time of hire and based upon an individual's experience and competitive nature of the job market for a particular position, additional vacation upon hire up to 3 weeks in total may be granted by the City Manager or Board of Public Works General Manager.

During such instances, vacations will be awarded on an employee's anniversary date in accordance with the following schedule:

Service Years Based on Anniversary Date	Number of Weeks
Upon hire	3 Weeks
Upon completion of seven (7) years of service	4 Weeks
Upon completion of seventeen (17) years of service	5 Weeks

Paid Personal Leave Days

Regular full-time employees are provided with four (4) paid personal leave days on their hire date and each successive anniversary of that date. Once a regular full-time employee completes ten (10) or more years with the City, they will be provided with one (1) additional paid personal leave day on their anniversary date. If these personal days are not used within the year that they are issued, they will be forfeited.

A full paid personal leave day is eight (8) hours per day at the employee's regular straight time hourly rate at the time the leave is taken, excluding any premiums. For a salaried employee, personal leave pay is at their regular salary rate. The use of personal leave days is flexible to the employee but subject to approval by the Department Head within the operational needs of the department. If you have a balance of earned and unused personal leave time, we will pay it out as long as you have given a proper 2-week working notice and were not let go.

Regular Full-time, Hourly Non-Exempt Fire Department employees should refer to Appendix H in this Employee Handbook for specific details regarding their paid personal leave days.

Paid Sick Leave (~~Paid Medical Leave~~Earned Sick Time Act)

All ~~eligible~~ employees ~~may earn paid sick leave at the rate of 1 hour per 30 hours worked each up to 48 hours of Paid Sick Leave per~~ calendar year. This paid sick leave is to be used to cover eligible absences under Michigan's ~~Paid Medical Leave~~Earned Sick Time Act (~~PMLA~~ESTA). ~~For planned absences, we ask that you notify your supervisor within 7 days. For unplanned absences, we ask that you call in or notify your supervisor as soon as you know of the need to be away from work.~~

Paid sick leave can be used for ESTA qualified absences in increments of no less than 15 minutes. ESTA qualified absences include:

- Physical or mental illness, injury, or health condition of the employee or his or her *family member;
- Medical diagnosis, care, or treatment of the employee or employee's family member;
- Preventative care of the employee or his or her family member;
- Closure of the employee's primary workplace by order of a public official due to a public health emergency;
- The care of his or her child whose school or place of care has been closed by order of a public official due to a public health emergency;
- The employee's or his or her family member's exposure to a communicable disease that would jeopardize the health of others as determined by health authorities or a health care provider;
- Meetings at a child's school or place of care related to the child's health or disability.

*For purposes of ESTA, the definition of "family member" includes a biological, adopted or foster child, stepchild or legal ward, or a child to whom the employee stands in loco parentis"; a biological parent, foster parent, stepparent, adoptive parent, or legal guardian of an employee; a spouse; or a person who stood in loco parentis when the employee was a minor child. Family members also include grandparents.

grandchildren, biological, foster, and adopted siblings, any person to whom the employee is legally married under the laws of any state, and any other individual related by blood or affinity whose close association with the employee is the equivalent of a family relationship."

Employees earn paid time off in which they can use for PMLA provisions which include the following situations:

- Physical or mental illness, injury, or health condition of the employee or his or her family member.
- Medical diagnosis, care, or treatment of the employee or employee's family member.
- Preventative care of the employee or his or her family member.
- Closure of the employee's primary workplace by order of a public official due to a public health emergency.
- The care of his or her child whose school or place of care has been closed by order of a public official due to a public health emergency.
- The employee's or his or her family member's exposure to a communicable disease that would jeopardize the health of others as determined by health authorities or a health care provider.

For purposes of this policy, the definition of "family member" includes the employee's child (biological, adopted, foster, or stepchild); parent (biological, adopted, foster, or stepparent); spouse; grandparent; grandchild; or sibling (biological, adopted or foster).

For domestic violence and sexual assault situations, employees may use paid medical leave for any of the following:

- Medical care or psychological or other counseling.
- Receiving services from a victim services organization.
- Relocation and obtaining legal services.
- Participation in civil or criminal proceedings related to or resulting from the domestic violence or sexual assault.

All employees roll over Paid sick leave hours shall accrue at the rate of 1 hour per every 35 hours worked, and employees shall not earn more than one hour per calendar week worked. Eligible employees may not earn more than 48 hours of paid sick leave in any calendar year. earned and unused paid sick leave into their paid sick leave bank at Employees may carry over accrued but unused paid sick leave from one the end of the calendar year to the next, Regular Full-time employees may use the amount of paid sick leave earned plus their available paid sick leave roll over balance but cannot have use more than 144 hours of paid sick leave in a calendar year. Regular Part-time and Seasonal Part-time employees may use the amount of paid sick leave earned plus their available paid sick leave roll over balance but cannot use more than 72 hours of paid sick leave in a calendar year.

AppA paid sick leave day is up to 8 hours per day at the paid at the employee's regular straight time hourly rate at the time the sick leave is taken, excluding any premiums. For a salaried employee, sick leave pay is at their regular salary rate. Time taken on authorized sick leave will first be deducted from available sick leave credits. An employee who has used all their sick leave may use accumulated vacation leave for sick leave purposes.

Paid sick leave is determined by a look back period of the prior calendar year for all existing employees. For existing employees, if you work an average of 25 or more hours for more than 25 weeks in the prior calendar year, you will be considered eligible for paid sick leave the following year. New hires will begin to earn accrue paid sick leave time upon hire.

For sick leave over 3 consecutive days, we may request documentation. If documentation is requested, we will comply with all ESTA requirements. If employees change from a non-eligible status to a status and schedule that will be paid sick leave eligible, you will become eligible to earn paid sick leave on the effective date of your change. The amount of paid sick leave you have available to use is listed on your paycheck stub.

Please note, all absences for purposes of paid sick leave must still comply with our approval process and documentation requirements. If you need to take paid sick leave, you will need to report the reason for your absence promptly to your supervisor by the start of your scheduled shift. You will need to keep your supervisor informed of your absence, progress, and expected date of return. If you do not follow these guidelines, your absence may be determined unexcused and may be subject to discipline. Upon employment separation, earned and unused paid sick leave is forfeited and no payout is provided. If an employee is rehired within 6 months, their sick leave balance at the time of employment separation will be restored.

Full details of [PMLA-ESTA](#) can be found on our workplace Labor Law posters, which are located in the employee common areas of each facility. See your supervisor for additional details.

Holidays

We celebrate holidays and grant holiday time off to employees on the following holidays listed below:

- New Year's Day
- Martin Luther King Jr. Day
- Memorial Day
- Independence Day
- Labor Day
- Thanksgiving Day
- Day after Thanksgiving
- Christmas Eve
- Christmas Day

Generally, if a holiday falls on a Saturday, the holiday will be observed on the preceding Friday. If the holiday falls on a Sunday, the holiday will be observed on the following Monday. However, at the beginning of each calendar year, the City will assign the dates when New Year's Day, Independence Day, Christmas Eve and Christmas Day will be observed if they happen to fall on a weekend.

Regular Full-time employees will receive holiday pay that will be calculated based on the employee's straight time pay rate. Regular Full-time employees will be paid 8 hours of holiday pay. To be eligible you must work or be on approved paid time off the scheduled workday before and after the holiday to receive holiday pay. If you are on layoff or an unpaid leave of absence you are not eligible for holiday pay. Holiday time does count towards the calculation of overtime or compensatory time off. Hourly employees who are scheduled to work on a paid holiday will receive one-and-a-half times their regular rate for all hours worked.

[Regular Full-time, Hourly Non-Exempt Fire Department employees should refer to Appendix H in this Employee Handbook for specific details regarding their paid holiday time.](#)

Bereavement Leave

This is paid time off for the loss of your immediate family member. Regular Full-time employees may request to take up to 3 consecutive workdays of paid bereavement leave. Compensation is based on your straight time pay up to eight hours per day. For paid bereavement time off, "immediate family member" is defined as current spouse, child, mother, father, brother, sister, grandparent, grandchild, and any dependent residing in your home (this includes any stepfamily members or family in-law members under these designations). You may also use bereavement leave to attend the funeral or memorial service of a coworker. Time off on bereavement leave must be properly recorded on your timesheet. If the person doesn't fall into this category, you can request to take available paid time off or request unpaid leave.

[Regular Full-time, Hourly Non-Exempt Fire Department employees should refer to Appendix H in this Employee Handbook for specific details regarding their paid bereavement leave.](#)

From: [Tim Klunder](#)
To: [Tim Klunder](#)
Subject: FW: [External] Earned Sick Time Act Legislation
Date: Monday, February 10, 2025 9:27:22 AM

From: Inside 208 <donotreply@wordpress.com>
Sent: Friday, February 7, 2025 2:13 PM
To: Tim Klunder <citymgr@cityofzeeland.com>
Subject: [External] Earned Sick Time Act Legislation

Attention: This email was sent to City of Zeeland / Zeeland BPW from an **external source**. Please be extra vigilant when opening attachments or clicking links.

The Senate Regulatory Affairs Committee heard testimony this week on Senate Bill 15, which would amend the current Earned Sick Time Act (ESTA) set to take effect on February 21st. Both the House and Senate introduced bills in January. The House passed Ho...

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Earned Sick Time Act Legislation



By **Dave Hodgkins** on February 7, 2025

The Senate Regulatory Affairs Committee heard testimony this week on [Senate Bill 15](#), which would amend the current Earned Sick Time Act (ESTA) set to take effect on February 21st. Both the House and Senate introduced bills in January. The House passed [House Bill 4002](#), which makes dozens of additional changes not in the Senate version. That bill is now also in Regulatory Affairs. Senate leadership has indicated they will not entertain HB 4002 in its current form.

These bills are in response to a Michigan Supreme Court ruling in July of 2024. It stated that in 2018, lawmakers unconstitutionally adopted and amended ballot initiatives in the same year. This legislative action rejected the original proposals instead of sending them to a statewide ballot. Because of this ruling, employers with 10 or more workers must provide 72 hours of annual sick time accrued at a rate of 1

hour earned for every 30 worked (starting February 21st if no legislative action is achieved).

While both SB 15 and HB 4002 aim to narrow the scope of the current ESTA requirements, many notable differences exist. Some of those include the threshold number of employees an employer must have before ESTA applies, the number of hours allowed to be accrued or carried over, and how this is implemented.

Specifically, SB 15 would raise the small employer threshold to 25 employees or fewer and require the employer to provide 40 hours of paid leave and 32 hours of unpaid. If an employer pays the employee out for unused sick time, they can limit carryover to 144 hours, but if they do not pay the employee the value of unused sick time, they must allow up to 288 hours to be carried over.

HB 4002 would change ESTA to only impact employers with 50 or more employees. Employers can limit the carryover of unused benefits to 72 hours from one benefit year to another. The House version also exempts independent contractors, seasonal and variable-hour employees, and part-time employees. An employee must also provide detailed notification. The Senate version does not have these exemptions or requirements.

The League has asked our internal policy committee to review both bills and provide feedback, which we will use in our ongoing conversations with lawmakers. House and Senate leadership continue to state their desire to see legislative intervention on the issue before the February 21st deadline, but both sides refuse to pass the other's bill as introduced. The House will be sending proposed amendments to the Senate next week.

If there is no legislative intervention by February 21st and the current ESTA goes into effect, we want members to know that the Department of Labor and Economic Opportunity has a website providing information for employers and employees. This site has a webinar that walks through the Act itself, who it impacts, and potential issues the state must address with employers as it is implemented. There is also an FAQ and other materials available. The link to the site may be found here: <https://www.michigan.gov/leo/bureaus-agencies/ber/wage-and-hour/paid-medical-leave-act>.

In the meantime, members should consult with their municipal attorney if they have questions about the specific implementation of ESTA in their community. We will keep you apprised of any legislative action taken.



LEO Labor and Economic Opportunity

Frequently Asked Questions FAQ

Earned Sick Time Act Frequently Asked Questions (FAQ)

NOTE This is not legal advice and is subject to change at any time

What employers are covered by the act?

- All Michigan employers that have one or more employee(s), excluding employees of the United States Government.
- Exclusion based on Federal Law:
 - Railway workers and employers covered by the Railroad Unemployment Insurance Act (RUIA) are preempted from coverage under the Earned Sick Time Act.

What employees are eligible to receive earned sick time?

- An eligible employee is an individual engaged in service to an employer in the business of the employer, except those employed by the U.S. government. Michigan case law uses the economic reality test to determine whether an individual is an employee.
- **Generally, publicly elected officials, members of publicly appointed boards and commissions, and similar public office holders are not considered employees for purposes of ESTA, even if paid or receiving some form of compensation, unless the governing entity treats these individuals as employees.**

How does the ESTA apply to work performed outside the state of Michigan, or to employers located outside the state of Michigan?

- The ESTA applies to work performed by employees who are physically located in Michigan, regardless of the employer location.

How to determine if an employer is a “small business” under the ESTA?

- All employees of the employer within the United States or its territories are included for purposes of the total number of employees.

- An employer is considered a "small business" if it employs nine or fewer employees and employed 10 or more employees in 19 or fewer workweeks in the current or previous calendar year. The workweeks with 10 or more employees need not be consecutive. This includes full-time, part-time, and temporary employees including those provided through a temporary service or staffing agency or similar entity.
- Once an employer employs 10 or more employees for 20 or more workweeks in the current or prior calendar year, the employer cannot be a "small business" again until it meets the requirements above.

Example: Consider a new employer that employs nine individuals from January 2025 through March 2025, then employs 10 individuals for any 20 weeks from April 2025 through Sept. 2025, but then employs only 9 employees again starting in Oct. 2025 and continuing indefinitely. This employer was a "small business" from Jan. 2025 until it reached the 20-workweek threshold. Once they reached the 20 or more workweeks with 10 or more employees' threshold, this business will not be a "small business" for the remainder of 2025 and all of 2026. Starting in Jan. 2027, however, this employer can again be considered a "small business."

When does an eligible employee begin to accrue earned sick time?

- Accrual begins on Feb. 21, 2025, or upon commencement of the employee's employment, whichever is later.

What is the accrual for hourly and salaried employees?

- Small business employers:
 - Employees of a small business shall accrue a minimum of one hour of earned sick time for every 30 hours worked but, shall not be entitled to use more than 40 hours of **paid** earned sick time in a calendar year unless the employer selects a higher limit. If an employee of a small business accrues more than 40 hours of earned sick time in a calendar year, the employee shall be entitled to use an additional 32 hours of **unpaid** earned sick time in that year, unless the employer selects a higher limit. Employees of a small business must be entitled to use paid earned sick time before using unpaid earned sick time.
- All other employers:
 - All other employees shall accrue a minimum of one hour of paid earned sick time for every 30 hours worked but shall not be entitled to use more than 72 hours of paid earned sick time per year, unless the employer selects a higher limit.
 - Salaried employees: For purposes of earned sick time accrual under this act, an employee who is exempt from overtime requirements under section 13(a)(1) of the Fair Labor Standards Act, 29 USC 213(a)(1), is assumed to work 40 hours in each workweek unless the employee's normal work week is less than 40 hours, in which case earned sick time accrues based upon that normal workweek.

What effect does the ESTA have on collective bargaining agreements on or after Feb. 21, 2025?

- The ESTA has two sections that reference collective bargaining agreements:

(1) This act provides minimum requirements pertaining to earned sick time and shall not be construed to preempt, limit, or otherwise affect the applicability of any other law, regulation, requirement, policy, or standard, including a collective bargaining agreement, that provides for greater accrual or use of time off, whether paid or unpaid, or that extends other protections to employees.

(2) This act does not do any of the following:

(a) Prohibit an employer from providing more earned sick time than is required under this act.

(b) Diminish any rights provided to any employee under a collective bargaining agreement.

(c) Subject to section 12, preempt or override the terms of any collective bargaining agreement in effect prior to the effective date of this act.

(d) Prohibit an employer from establishing a policy that permits an employee to donate unused accrued earned sick time to another employee.

Sec. 12:

If an employer's employees are covered by a collective bargaining agreement in effect on the effective date of this act, this act applies beginning on the stated expiration date in the collective bargaining agreement, notwithstanding any statement in the agreement that it continues in force until a future date or event or the execution of a new collective bargaining agreement.

Applying these sections depends on the specific terms and conditions of the collective bargaining agreement, and these two sections preclude interference with current agreements when the parties have negotiated sick leave benefits. Thus, the Wage and Hour Department has identified two scenarios that determine whether the ESTA applies to employees beginning on Feb. 21, 2025:

1. The collective bargaining agreement includes terms regarding sick time or sick leave benefits:

Provided that the collective bargaining agreement includes terms related to sick leave, sick time, PTO with uses for sick time, or a similar benefit, the collective bargaining agreement terms apply, even if the benefit is less than what is required by the ESTA, until the agreement expires or is renewed, extended, or otherwise renegotiated. The agreement also applies in situations where the agreement expressly excludes sick leave benefits.

2. The collective bargaining agreement is silent as it relates to sick time or sick leave benefits:

Employees covered by a collective bargaining agreement that is completely silent on sick leave, either for the entire unit or for specific classifications covered by the agreement, are covered by the ESTA and begin accruing benefits on Feb. 21, 2025.

What is a benefit year?

- A benefit year is a regular and consecutive twelve-month period determined by the employer that is used to calculate an eligible employee's benefits.

Can an employer allow more than 72 hours of earned sick time to be accrued and used?

- Yes, the ESTA is the minimum sick leave requirement. Employers may allow employees to accrue more than 72 hours of earned sick leave in the 12-month period. Likewise, employers are permitted by the ESTA to limit the use of earned sick time to 72 hours per 12-month period, but employers may allow employees to use more.

Can an employee carry over unused earned sick time from one benefit year to the next?

- Yes. All unused earned sick time carries over from year to year; however, an employer is not required to permit an employee to use more than the annual allowed maximum time (paid or unpaid) in a 12-month period.

Does an employee lose accrued hours if laid off, terminated, or transferred to another location?

- Employees separated from employment for 6 months or less maintain all accrued earned sick time prior to the separation, begin accruing additional hours upon reemployment, and may use any accrued hours.
- Employees transferred to another classification or location with the same employer maintain all accrued hours and continue accruing hours.
- Employees separated from employment with the same employer for more than 6 months lose all accrued, unused earned sick time, unless the employer's policy allows these hours to be maintained.

If an employer chooses to limit use of accrued earned sick leave, may an employer provide the total amount of earned sick time all at once?

- Employers limiting the use of earned sick time to 72 hours or more may provide the total amount of allowed hours at the beginning of the 12-month period (often referred to as "frontloading").

- Because there is no limit on the amount an employee can accrue and carryover, employers should evaluate employee's accruals at least annually to ensure that accrued hours are balanced to hours worked and carryover any balance.

When is earned sick time available for use by an eligible employee?

- An employer may require a new employee to wait until the 90th calendar day after commencing employment before using accrued earned sick time. Employees reemployed within the 6-month period are considered to have continued employment for purposes of ESTA and the 90-calendar-day waiting period. Otherwise, an employee may use earned sick time as it is accrued regardless of the pay period. Once 30 hours have been worked, an employee is entitled to use one hour of earned sick time for use under ESTA.
- Employees may use ESTA for paid work hours.

Does earned sick time have to be taken in 1-hour increments?

- Possibly. The Act provides that earned sick time may be used in the smaller of (i) one-hour increments, or (ii) the smallest increment of time used by the employer's payroll system for absences or use of other time.
- For example, if an employer uses 1/10th of an hour (six minutes) for tracking attendance/absences, then this would be the incremental use allowed for earned sick time. If an employer uses 1/2 (30 minutes) of an hour for tracking attendance/absences, then this would be the incremental use allowed for earned sick time.

What reasons can an eligible employee use earned sick time?

- An employer shall permit an employee to use the accrued earned sick time for any of the following:
 - The employee's or the employee's family member's mental or physical illness, injury, or health condition; medical diagnosis, care, or treatment of the employee's or the employee's family member's mental or physical illness, injury, or health condition; or preventative medical care for the employee or the employee's family member.
 - If the employee or the employee's family member is a victim of domestic violence or sexual assault, for medical care or psychological or other counseling for physical or psychological injury or disability; to obtain services from a victim services organization; to relocate due to domestic violence or sexual assault; to obtain legal services; or to participate in any civil or criminal proceedings related to or resulting from the domestic violence or sexual assault;
 - For meetings at a child's school or place of care related to the child's health or disability, or the effects of domestic violence or sexual assault on the child; and
 - For closure of the employee's place of business by order of a public official due to a public health emergency; for an employee's need to care for a child whose school or place of care has been closed by order of a public official due to a public health emergency; or when it has been determined by the health authorities having jurisdiction or by a health care provider that the employee's or employee's family member's presence in the

community would jeopardize the health of others because of the employee's or family member's exposure to a communicable disease, regardless of whether the employee or family member has actually contracted the communicable disease.

- An employer shall not require an employee to search for or secure a replacement worker as a condition for using earned sick time.

Who is considered a family member?

- Family members include:
 - Biological, adopted or foster child, stepchild or legal ward, a child of a domestic partner, or a child to whom the employee stands in loco parentis.
 - Biological parent, foster parent, stepparent, or adoptive parent or a legal guardian of an employee or an employee's spouse or domestic partner or a person who stood in loco parentis when the employee was a minor child.
 - Grandparent.
 - Grandchild.
 - Biological, foster, or adopted sibling.
 - Any other individual related by blood or affinity whose close association with the employee is the equivalent of a family relationship.
- "Domestic partner" means an adult in a committed relationship with another adult, including both same-sex and different-sex relationships.
- "Committed relationship" means one in which the employee and another individual share responsibility for a significant measure of each other's common welfare, such as any relationship between individuals of the same or different sex that is granted legal recognition by a state, political subdivision, or the District of Columbia as a marriage or analogous relationship, including, but not limited to, a civil union.

Do employers have to create a separate "bank" of time for earned sick leave, or can employers use existing paid time off policies?

- No. An employer's paid time policy may be used so long as it provides at least the same benefits as provided in the ESTA, and may be used for the same purposes, under the same conditions, and accrued at a rate equal to or greater than the rate described in the ESTA.
- For small business employers, employees must be allowed to use paid earned sick time before using unpaid sick time.

What is the required wage rate for earned sick time?

- Earned sick time must be paid at a pay rate equal to the greater of either (i) an employee's regular rate of pay, or (ii) the Michigan minimum wage rate then in effect under MCL 408.934 as amended.
- For any employee whose hourly rate varies depending on work performed, the "normal hourly wage" means the average hourly wage of an employee in the pay period immediately prior to the pay period in which the employee used paid earned sick time.
- Fringe benefits are not included in the calculation of the regular rate of pay.

Does accrued, unused earned sick time need to be paid upon termination of employment?

- No. Employees do not need to be paid for unused accrued earned sick time at separation under the ESTA. However, Public Act 390 of 1978, the Payment of Wages and Fringe Benefit Act, may require payment upon termination pursuant to the employer's written policy or contract.

May an employer pay out unused sick leave annually in lieu of carrying over unused hours to the next year, or at termination without providing the hours at reemployment?

- No. The ESTA does not authorize an employer to pay out unused sick leave. Therefore, all accrued and unused sick leave would be carried over annually, and any balance upon separation would be reinstated if reemployment is within six months.

If an employer "frontloads" sick leave, can an employer recoup leave used more than what would have been accrued as of the date of separation?

- Yes. An employer may determine the amount that would have been accrued as of the date of separation and recoup the value of leave used more than the employee's adjusted leave balance, provided that this deduction does not reduce the final paycheck to less than minimum wage and the employer obtained a prior written, voluntary agreement for the deduction.

May an employer require an employee to provide notice of and documentation for the use of earned sick time?

- If the need for earned sick time is foreseeable, an employer may require advance notice, not to exceed seven days prior to the date the earned sick time is to begin, of the intention to use the earned sick time.
- If the need for earned sick time is not foreseeable, an employer may require the employee to give notice of the intention as soon as practicable. Deciding what is practicable is dependent on the unique facts and circumstances of each situation, and the parties should approach this requirement with reasonable minds. Notification as soon as practical for unforeseeable leave is also included in the Family Medical and Leave Act (FMLA). For consistency, the consideration under ESTA would be similar.
- For earned sick leave of more than three consecutive days, an employer may require reasonable documentation that the earned sick leave has been used for a permissible purpose. Upon request, the employee must provide this

documentation in a timely manner.

- Employer required documentation should not include a description of the illness or details of the violence.
- If an employer requires documentation, the employer is responsible for paying all out-of-pocket expenses the employee incurs in obtaining the documentation.
- An employer cannot delay commencement of the leave based on a failure to receive documentation.

May an employer ask questions regarding the need for using earned sick leave?

- When using leave under ESTA, employees should provide sufficient information for the employer to determine whether the leave meets the eligible uses under the ESTA.
- If an employer is unsure, they may ask additional questions about the nature of the leave to determine if the leave meets the eligible uses.

How does the ESTA interact with FMLA?

- Like other leave benefits, the ESTA may run concurrently with FMLA approved leave provided that the leave meets the requirements of FMLA. However, if ESTA leave is being used, requirements on advance notice, unforeseeable leave, documentation requirements, will be applied under the ESTA provisions.
- Once ESTA leave is exhausted or not being used for a FMLA covered leave, the FMLA provisions apply.

Does the employer have a duty to maintain the confidentiality of the information provided by the employee?

- Yes. Employers must maintain the confidentiality of health, domestic violence, and sexual assault information about an employee or his or her family member and cannot disclose the information to others without the employee's permission.

What recourse does an employer have for an employee failing to follow established notice and documentation policies?

- Employers should consult with an attorney for guidance concerning the creation of notice and documentation requirements.
- Employers may not retaliate against an employee for engaging in activity protected by the act. Importantly, there is a rebuttable presumption that an employer violated the act if it takes any adverse personnel action against an employee within 90 days after the employee engages in protected activity.

What are employer recordkeeping requirements under the ESTA?

- Employers must retain records that document the hours worked and earned sick time taken by employees for not less than three years. These records shall be available to the Wage and Hour Division with appropriate notice and at a mutually agreeable time.

Does the Earned Sick Time Act contain a notice or posting requirement?

- Yes, employers must provide written notice of an employee's rights under the ESTA at the time of hiring or on Feb. 21, 2025, whichever is later. Required notice contents can be found at www.michigan.gov/wagehour.
- Employers are also required to display a poster at the place of business containing specific rights listed in the ESTA. The Department shall create the poster and can also be found at www.michigan.gov/wagehour.

What remedy is available to employees or others who believe an employer has violated the act?

- A claim may be filed with the Wage and Hour Division within 3 years of the alleged violation date. An investigation will be completed, and mediation attempted, if appropriate. If a violation is found, the Department may award all appropriate relief including but not limited to payment of all earned sick time improperly withheld, all damages incurred by the complainant as a result of violation of this act, back pay, and reinstatement in the case of job loss.

What penalties are imposed against an employer for violating the act?

- In addition to the civil remedies afforded to affected employees, an employer who fails to provide earned sick time is subject to a \$1,000 administrative fine. An employer who willingly violates the posting requirement is subject to a \$100 administrative fine for each separate violation.

How do I file a claim for violations of the Earned Sick Time Act?

- Claims may be filed online at www.michigan.gov/wageclaim, in-person at a Wage and Hour Division office (see website for locations); or a form may be requested by calling 855-464-9243 (4MI-WAGE). Claim forms are available in English, Spanish, and Arabic.

What if I have additional questions?

- Please visit www.michigan.gov/wagehour or call 855-464-9243 (4MI-WAGE).

Revised 11/14/24



Frequently Asked Questions FAQ

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PERSONNEL COMMITTEE MEMORANDUM

TO: Mayor Klynstra and Personnel Committee Members

FROM: Tim Klunder, City Manager

SUBJECT: Retiree Benefit Policy Statement Update

DATE: February 11, 2025

CC: February 12 Personnel Committee Meeting

BACKGROUND: The city established a Retiree Benefit Policy Statement in 2009 to deal with the Other Post Employment Benefit (OPEB) requirement. Under OPEB, local governments needed to identify the amount of the unfunded cost of benefits such as retiree health insurance – communities basically treated retiree health insurance as a pay-as-you go status prior to OPEB. The policy has been updated various times, with the last update occurring in 2016.

Attached you will find proposed updates to the Retiree Benefit Policy Statement. These proposed updates are not in their final form as we continue to work with our labor attorneys from Miller Johnson on final language. However, the attached proposal largely reflects the intent of the updates. The updates do not reflect any substantive changes in regards to how a retiree qualifies for benefits such as retiree health insurance, or the amount the city contributes toward retiree health insurance.

Rather, it primarily removes contribution provisions that no future retiree would qualify for. For example, at the time of adoption of the policy, a retiree with at least 10 years of service upon reaching age 62 would qualify for an 100% contribution from the city. However, they needed to reach those qualifying provisions prior to June 30, 2010. Those provisions were a way to transition to updated cost sharing and years of service without “penalizing” those that were ready to retire at that time. We no longer have any employees that turned 62 with 10 years of service prior to June 30, 2010 working for us full-time.



Other updates reflect practices we have had, but they are now explicitly clarified in the policy. For example, prior to a retiree reaching Medicare eligibility (assuming they didn't meet the age 62/10 years of service prior to June 30, 2010 provisions), the retiree (and spouse if not Medicare eligible) must pay 100% of the cost for health insurance. Again, this is not a new practice, just one we are identifying explicitly in the policy statement.

Given all new employees since July 1, 2009 receive a Retiree Health Savings Account (RHSA Plan) rather than qualify for the city's Medicare supplemental plan, there will be a point in time when we no longer have to state contribution amounts for the Medicare supplement plan. However, we still have active employees that when they retire, will qualify for the Medicare supplement contribution as they were hired prior to July 1, 2009.

Once the final updates are completed with Miller Johnson, the policy statement will be updated in Appendix D of the Employee Handbook assuming City Council approves the concepts of updating the policy statement.

RECOMMENDATION: Move to recommend to City Council to approve updates to the Retiree Benefit Policy Statement consistent with the concepts attached hereto.

A handwritten signature in black ink, appearing to read "Timothy R. Klunder".

Timothy R. Klunder, City Manager

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CITY OF ZEELAND/ZEELAND BOARD OF PUBLIC WORKS

RETIREE BENEFIT POLICY STATEMENT

EFFECTIVE MARCH 1, ~~2016~~ 2025

CITY OF ZEELAND/ZEELAND BOARD OF PUBLIC WORKS
RETIREE BENEFIT POLICY STATEMENT

As of March 1, 20162025

1. **Purpose.** The purpose of this retiree benefit policy is to:
 - a. Provide eligible retirees and their spouses with access to Employer group health and life insurance coverage; and
 - b. Provide an Employer contribution to the monthly cost for eligible retirees.
2. **Retiree Eligibility.** You are eligible for the retiree benefits described below if you satisfy all of the following requirements:
 - a. You are a participant in the City of Zeeland Pension Plan or the City of Zeeland Defined Contribution Plan and you retire after attaining “normal retirement age” as defined in the applicable Plan*;
 - b. Immediately prior to your retirement, you are eligible to participate in Employer’s group health plan and group term life insurance plan as an employee; and
 - c. You do not elect COBRA continuation coverage with respect to Employer’s group health plan as a result of your retirement.
3. **Benefits.** If you are eligible for retiree health benefits, you are eligible to continue to participate in the same medical, prescription drug and dental benefits currently offered to actively-working employees if you are under the age of eligibility for Medicare based on age (i.e., currently age 65).

At the time you become eligible for Medicare based on age, you are no longer eligible for retiree medical and prescription drug benefits under Employer’s group health plan for active employees (but dental benefits continue). This is true even if you do not enroll in

* Currently, “normal retirement age” under both the Pension Plan and the Defined Contribution Plan means the later of age 62 or the fifth anniversary of the date on which the participant began to participate in the Plan. However, in the case of the Pension Plan, there is a special rule for participants who are employed in the police department. For these participants, normal retirement age means:

1. If the participant has an hour of service on or after July 1, 2004, the later of age 55 or the fifth anniversary of the date on which the participant began to participate in the Pension Plan;
2. If the participant has an hour of service on or after July 1, 1998, but not after June 30, 2004, the later of age 58 or the fifth anniversary of the date on which the participant began to participate in the Pension Plan; or
3. If the participant does not have an hour of service on or after July 1, 1998, the later of age 60 or the fifth anniversary of the date on which the participant began to participate in the Pension Plan.

For this purpose, a participant is “employed in the police department” if the participant is a police officer or the participant has the rank of sergeant.

Medicare. However, at that point, you are eligible for a Medicare supplement benefit under Employer's group Medicare Supplement Plan. You may participate provided that you are enrolled in Medicare Parts A and B.

If you are eligible for retiree life insurance benefits, you are eligible to continue to participate in the group life insurance plan offered to actively-working employees with a retiree death benefit of \$5,000.

Employer ~~will~~may contribute to the cost of the retiree benefits described in the preceding three paragraphs in accordance with Section 7 below.

4. Dependent Eligibility for Retiree Health Benefits. Your spouse can elect to enroll in Employer's retiree health benefits if your spouse was married to you immediately prior to your retirement and was eligible to participate in the Employer's group health plan immediately prior to your retirement. If you marry after retirement, your new spouse is not eligible for retiree health benefits.

A spouse of a retiree is eligible to continue to participate in the same medical, prescription drug and dental benefits currently offered to actively-working employees if the spouse is under the age of eligibility for Medicare based on age (i.e., currently age 65). At the time the spouse becomes eligible for Medicare based on age, the spouse is no longer eligible for retiree medical and prescription drug benefits under Employer's group health plan for active employees (but dental benefits continue). This is true even if the spouse does not enroll in Medicare. However, at that point the spouse is eligible for a Medicare supplement under Employer's group Medicare supplement plan. The spouse may participate provided that the spouse is enrolled in Medicare Parts A and B.

Employer ~~will~~may contribute to the cost of the retiree health benefits for your spouse described in the preceding two paragraphs in accordance with Section 7 below.

5. Enrollment.
 - a. You must elect retiree benefits for yourself and your spouse within 30 days of your retirement from Employer. If coverage is not elected within this time period, it will not be available. This election occurs by contacting Employer and completing and returning the necessary application forms and also by paying any required contributions (see Section 7).
 - b. However, if you or your spouse are eligible for other health coverage at the time of retirement (e.g., due to your subsequent employment or your spouse's employment or retirement or through an individual policy), your election to enroll in Employer's retiree health benefits may be deferred and elected later when there is a loss or termination of that other coverage. In such a case, Employer's retiree health benefits will then be available for the affected individual(s) by applying to enroll within 30 days of the loss or termination of the other health coverage.

Further, if you do not elect retiree health benefits before becoming eligible for Medicare based on age and you seek to enroll in retiree health coverage upon becoming eligible for Medicare based on age, enrollment is permitted within 30 days of your initial Medicare eligibility date, regardless of whether you were enrolled in other health coverage during the “gap” period (between the date of your retirement and the date you became eligible for Medicare based on age).

- c. Your spouse may not enroll in Employer's retiree health benefits if you do not enroll. In other words, if you want coverage for your spouse, you must also enroll.
- 6. Other Employer Group Health Coverage. If you or your spouse become eligible for other employer group health coverage while enrolled in Employer's retiree health benefits (e.g., as an employee or the dependent of an employee or retiree), you may elect to terminate retiree health coverage through Employer and enroll in the other employer group health coverage. If the other employer group health coverage is subsequently lost, the affected individual(s) may re-enroll in Employer's retiree health benefits provided enrollment occurs no later than 30 days following the loss of the other employer group health coverage.

7. Cost of Retiree Benefits.

- a. Retirees.
 - i. Retiree Health and Dental Coverage Before Retiree Becomes Eligible for Medicare Based on Age and Retiree Life Insurance Coverage. ~~If you are an eligible retiree (see Section 2) with at least 10 years of continuous full-time service with Employer prior to retirement, Employer will Retirees are required to pay 100% of the cost of your coverage before the retiree coverage after the date you attain age 62 and up until you become becomes eligible for Medicare based on age (i.e., currently age 65). However, this Employer contribution does not contribute to the cost of your coverage is only available if you attain age 62 and complete at least 10 years of continuous full-time service with Employer on or before June 30, 2010. Effective as of the 2010 fiscal year (beginning July 1, 2009), Employer contributions are capped based on increases in cost. Employer will pay for up to a 3% increase in the cost of coverage from the prior fiscal year. Any cost increase above 3% must be paid for by the retiree. However, notwithstanding the above, effective as of the 2011 calendar year, the retirees' dollar contribution toward coverage in the prior calendar year, as a percentage of the total monthly premium for coverage, shall become the minimum percentage to be paid by retirees with respect to future monthly premiums. a retiree's coverage before the retiree becomes eligible for Medicare. The same rules apply to the coverage of a retiree's spouse who is not eligible for Medicare. Employer does not contribute to the cost of a~~

spouse's coverage before the spouse is eligible for Medicare. Rather, the retiree is responsible for 100% of the cost of his or her spouse's pre-Medicare coverage.

~~The rules concerning the Employer contribution to retiree life insurance benefits are based upon the rules described in the preceding two paragraphs.~~

- ii. Retiree Health and Dental Coverage Upon Becoming Eligible for Medicare Based on Age. ~~If you are an eligible retiree (see Section 2) who attains age 62 and completes at least 10 years of continuous full time service with Employer on or before June 30, 2010 (see (i) above), Employer will pay 100% of the cost of your dental benefit and group Medicare supplement coverage selected by Employer through December 31, 2009. Effective as of January 1, 2010, Employer contributions are capped based on increases in cost. Employer will pay for up to a 3% increase in the cost of coverage from the prior calendar year. Any cost increase above 3% must be paid for by the retiree. However, notwithstanding the above, effective as of the 2011 calendar year, the retirees' dollar contribution toward coverage in the prior calendar year, as a percentage of the total monthly premium for coverage, shall become the minimum percentage to be paid by retirees with respect to future monthly premiums. (Note: The premium rates may vary by age bracket. The 3% cost increase cap applies on an age bracket basis. As a result, if you become older and move to an age bracket with a higher premium, the difference in premiums between age brackets will not be counted toward the 3% cost increase cap.)~~Employer contributes to the cost of a retiree's coverage once the retiree is entitled to Medicare if the retiree had at least 15 years of continuous full time service with Employer prior to retirement. The retiree is also required to contribute to the cost of this coverage. Employer will communicate to the retiree the retiree's required contribution amount for the retiree's coverage each year (which may change each calendar year). Employer will pay for up to a 3% increase in the cost of coverage from the prior calendar year. Any cost increase above 3% must be paid for by the retiree. However, notwithstanding the above, the retirees' dollar contribution toward coverage in the prior calendar year, as a percentage of the total monthly premium for coverage, shall become the minimum percentage to be paid by retirees with respect to future monthly premiums.

~~If you are an eligible retiree (see Section 2) who does not attain age 62 and complete at least 10 years of continuous full time service with Employer on or before June 30, 2010 but you later become eligible for Medicare based on age (i.e., currently age 65) and complete at least 15 years of~~

~~continuous full time service with Employer prior to retirement, you also qualify for the Employer contribution to coverage described in the preceding paragraph.~~

~~If you are an eligible retiree (see Section 2) but you have not completed the years of continuous full time service requirements described in the preceding two paragraphs, you are not eligible for the Employer contribution to coverage described in the preceding two paragraphs.~~

b. Spouses. ~~Spouses. If you are an eligible retiree described in subsection (a)(i), Employer will pay 50% of the cost of your spouse's retiree health coverage after the date your spouse attains age 62 and up until the date your spouse becomes eligible for Medicare based on age (i.e., currently age 65). Employer will not make any contribution to the cost of your spouse's coverage prior to the date your spouse attains age 62. If you are an eligible retiree described in subsection (a)(ii), Employer will pay 50% of the cost of your spouse's dental benefit and group Medicare supplement coverage as of the date your spouse becomes eligible for Medicare based on age. The Employer contribution to the cost of your spouse's coverage described in this paragraph is subject to the same Employer cap on annual increases in excess of 3% described in subsection (a)(i) and (ii). As of the date your spouse becomes eligible for Medicare, an Employer contribution will be made for the spouse's dental benefit and group Medicare supplement coverage if the retiree had at least 15 years of continuous full time service with Employer prior to retirement. However, Employer will pay 50% of the amount the Employer contributes for an eligible retiree for your spouse's dental benefit and group Medicare supplement coverage. Employer will communicate to the retiree the retiree's required contribution for the spouse's coverage each year (which may change each calendar year).~~

e.b. Payment. With respect to participation in the retiree benefits described in this policy statement you and your spouse may participate provided that you timely pay your share of the cost. Your required share must be paid on a monthly, after-tax basis. Payment is due in advance on the first day of the month. If payment is not received within 30 days of the first day of the month, coverage will automatically terminate. Partial payments will not be accepted.

8. Termination of Retiree Insurance. Participation in Employer's retiree benefits will terminate on the earliest of the following dates:
 - a. The first day of the month following the month for which any required premium is due but not paid.
 - b. The date as of which the individual (retiree or spouse) voluntarily cancels coverage.

- c. The date as of which the individual (retiree or spouse) dies. In the event of death, Employer must be notified as soon as possible. If the spouse dies, the retiree remains eligible. If the retiree dies, the spouse remains eligible for health benefits.
- d. The date as of which the individual establishes permanent residency outside the United States.
- e. In the case of a spouse, the date of divorce (but then the spouse may elect COBRA continuation coverage).
- f. The date as of which the individual's coverage is terminated for cause (e.g., due to fraud or misrepresentation in an application for participation or in a claim for benefits).

If an individual's coverage terminates, the individual shall in no circumstances become subsequently eligible for any retiree health benefits offered by Employer.

- 9. The Vantagecare Retirement Health Savings Plan. Employer established the Vantagecare Retirement Health Savings Plan ("RHS Plan") effective July 1, 2009. The RHS Plan is a retirement health savings plan under which Employer makes a contribution to an account established on behalf of each eligible participant who is working in full-time employment for Employer.
 - a. Eligibility for the RHS Plan. You will become a participant in the RHS Plan if you are a full-time employee and you satisfy one of the following requirements:
 - i. You are hired on or after July 1, 2009; or
 - ii. You were employed by Employer prior to July 1, 2009 and elected participation in the RHS Plan through the opportunities offered by Employer during the months of June 2009 and June 2011.
 - b. Employer Contribution to the RHS Plan. ~~Beginning with the 2010 fiscal year (July 1, 2009 – June 30, 2010),~~ Employer will make a contribution on behalf of all RHS participants who are full-employees. The amount of the contribution is \$1,500 (as of 7.1.09) per year, plus annual increases equivalent to cost-of-living adjustments in wages set by Employer. If you are a full-time employee who is eligible for this Employer contribution, a pro-rata portion of the annual contribution will be made to your RHS Plan account on a bi-weekly basis.
 - c. Effect of Participation in RHS Plan on Eligibility for Retiree Health Benefits. As an RHS Plan participant, you may enroll in the retiree health

benefits under Section 3 of this Policy Statement if the following conditions are met:

- i. The eligibility requirements in Section 2 are satisfied; and
- ii. You pay for 100% of the cost of the benefit in accordance with established procedures.

If you enroll in the retiree health benefits, you may use your RHS Plan account towards the cost of coverage. However, as an RHS Plan participant, you are not eligible for the Employer contribution to the cost of coverage provided under Section 7 of this Policy Statement.

- d. Effect of Participation in RHS Plan on Eligibility for Life Insurance Benefits. RHS Plan participants will be eligible for retiree life insurance in the same manner as other retirees, as described in Section 3.
- e. Eligibility to Request Reimbursements Under the RHS Plan While Working for Employer. A participant is eligible to request reimbursement from the RHS Plan for any eligible health expenses after he or she separates from service (even if separation from service occurs before satisfying the eligibility requirements in Section 2). However, if such individual is subsequently rehired by Employer, he or she is not eligible to request reimbursements during the period of reemployment.
- f. Right to Opt Out of Coverage Under the RHS Plan. After a RHS Plan participant separates from service, he or she has the right to opt out of coverage under the RHS Plan. Such opt out is permitted at any time by providing written notice to Employer. However, the balance of the participant's account as of the date of the opt out will be immediately forfeited and will not be restored under any circumstances.

10. HIPAA. This policy statement shall be considered separate from Employer's group health plan for actively-working employees and thus, the HIPAA special enrollment rules in Employer's group health plan shall not apply to retirees or their spouses or dependents subject to this policy statement.
11. No Vested Rights. Retirees and their spouses are not vested in their rights to any retiree benefits offered by Employer. Employer reserves its right to amend or terminate retiree benefits at any time.

This policy statement supersedes any prior descriptions of Employer's retiree benefit program which may be set forth in any Summary Plan Descriptions or other document.



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PERSONNEL COMMITTEE MEMORANDUM

TO: Mayor Klynstra and Personnel Committee Members

FROM: Tim Klunder, City Manager

SUBJECT: City Organizational Performance Incentive Plan Updates

DATE: February 10, 2025

CC: February 12 Personnel Committee Meeting

BACKGROUND: The city has had an Organizational Performance Incentive Plan in place since 2016. We have amended the plan a few times for clarity purposes. We are recommending some additional clarity amendments, not substantive changes, as the last time we suggested these types of clarity updates was 2020. Attached hereto are the proposed updates to the city's program. Again, these are clarity updates, not substantive changes. I look forward to reviewing these proposed updates with the Personnel Committee.

RECOMMENDATION: I recommend that the Personnel Committee recommends to City Council to approve the City of Zeeland Organizational Performance Incentive Plan updates as presented.



Timothy R. Klunder, City Manager



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CITY OF ZEELAND ORGANIZATIONAL PERFORMANCE INCENTIVE PLAN

Program Overview

Since 2002 the Zeeland City Council has annually developed and approved a Strategic Action Plan that outlines broad goals and specific action steps for they would like city administration and team members staff to pursue on a short-term, mid-term, and long- term basis. A component of this annual goal setting process consists of an evaluation of how the city performed on the previous year's Strategic Action Plan. Prior to the 2015 Strategic Action Plan there was no direct monetary component associated with achieving or not achieving the plan. While this certainly did not prohibit the dedicated city staff from successfully accomplishing numerous goals and actions outlined in the Strategic Action Plan year after year, starting with During the annual budget process (prior to Strategic Action Plan measurement), the 2015/2016 Fiscal Year budget the Zeeland City Council may felt it would be appropriate to have a monetary incentive attached to the successful pursuit of the annual Strategic Action Plan.

The philosophy of the city's program is that corporately "all of us are in this together". In other words, the intent of the program is to monetarily recognize city team members' staff's level of achievement on the Strategic Action Plan collectively as one organization and not on an individual or department by department basis. This philosophy is in part based on the existing ability to acknowledge highly successful individual performance as outlined in the City's Employee Grade Structure and Salary Range Adjustment and Modification Plan Salary Increase Plan through individual merit adjustments when funding is available. As such, it is acknowledged that any Organizational Performance Incentive payment authorized in a given year is separate from individual pay adjustments that may be authorized via cost of living adjustments, individual merit increases, etc. Further, it is acknowledged that funding for the Organizational Performance Incentive Plan will be evaluated by City Council during the annual budget process and there is no guarantee of funding availability every fiscal year.

The Organizational Performance Incentive payment provides city team members staff the opportunity to earn performance pay up to the City Council approved amount. The performance incentive payment will be calculated based on city administration's and team members' staff's measured performance on the annual Strategic Action Plan. The performance incentive will be a one-time payment to eligible team members employees and will not be added into team members' employees' base salaries. The intent of the program is to distribute the calculated payment following the measured performance of the annual Strategic Action Plan. This performance measurement typically takes place during City Council's Annual Retreat in January/February of each calendar year. The amount available for any given performance incentive will be set by City Council during the annual budget process



prior to the performance measurement calculation. ~~For example, City Council approved a performance incentive amount for the 2015 Annual Strategic Plan during the 2015/2016 Fiscal Year budget and payment of the performance incentive occurred after the performance review of the 2015 Strategic Action Plan in January/February 2016.~~

Organizational Performance Incentive Pay Calculation Methodology

The City's Organizational Performance Incentive payment is based on meeting corporate goals and actions as well as department operational goals that ~~city administration and team members staff~~ are directed to pursue as outlined in the City's Annual Strategic Action Plan. The actions and the department operational goals are established each year with input from ~~city~~ administration, approved by City Council, and based on the goals outlined in the City's Strategic Action Plan. The number of specific action steps that are established to meet the goals in the City's Strategic Action Plan in any given year will vary. To help determine the distribution level of the Organizational Performance Incentive payment set in a particular budget year the following scoring system will be utilized to make the payment calculation.

Step A

1. A total of 100 points will be used to measure performance on the annual strategic action plan.
2. During adoption of the annual strategic action plan City Council will assign the points available for each action step and operational goal in the strategic action plan. The points assigned to each action step and operational goal may vary from year to year but they will total 100.

Step B

1. To determine the point value of each action step/operational goal, City Council will consider things such as the importance of the goal (as determined during the annual goal setting retreat), the amount of resources (time) ~~team members staff~~ and City Council will need to expend to pursue the action step and/or operational goal, and the timing of the action step (large long-term goals may have smaller actions steps to achieve in a given year). Again, points assigned to each action step/operational goal may vary from year to year.

Step C



1. A scorecard will then be developed for each section to assign points for each action step/operational goal based on the point values calculated above.
2. Each action step/operational goal will be measured by either “complete/substantial progress”, “progress”, or “not progressing as expected”. Generally, steps that are complete/substantial progress will be assigned the point level for that particular action step/operational goal, those that show progress will receive a pro-rated portion of the point value, while those that are not progressing as expected will not be assigned any points.
3. After measuring each action step/operational goal for progress the points will be totaled.

Step D

1. To determine the incentive payment distribution amount, the percentage pay maximum approved by City Council will be adjusted per the table below based on the totals earned on the scorecard.

Final Points Earned	Percent of Maximum Awarded
80 to 100 points	100%
70 to 79.99 points	90%
60 to 69.99 points	80%
50 to 59.99 points	70%
40 to 49.99 points	50%
30 to 39.99 points	40%
20 to 29.99 points	30%
10 to 19.99 points	20%
.1 to 9.99 points	10%



Step E

1. City Council will have the discretion to adjust the total points earned, and thus the distribution percentage, calculated in Step D based on unique factors such as mid-year goal adjustments, unforeseen budget implications, etc., prior to authorizing any performance incentive disbursement.

Organizational Performance Incentive Payments

Organizational Performance Incentive pay will be a one- time payment based on each team member's employee's base salary but it will not be added into an team member's employee's base pay. For example, if the Strategic Action Scorecard calculated a total of 70 points the distribution percentage would be 90% of the percentage pay maximum approved by City Council. If the percentage pay maximum approved by City Council was 1% of salaries in a fiscal year the distribution amount would then be 90% of that amount, or .009% of an team member's employees' base salary. For an team member employee making \$40,000 that would equate to \$360. Regardless of the above calculation, the minimum payment for any eligible team member will be \$50.

For purposes of this program an eligible employee's team member's base salary will be calculated as follows: the employee's team member's hourly rate as of December 31 of the calendar year for which the strategic action plan is being evaluated will be used. Full-time team members employees that worked the entire calendar year will have that hourly rate multiplied by 2080 hours. Full-time team members employees that started after January 1 of the calendar year being evaluated will have the hourly rate multiplied by a pro-rated share of 2080. Part-time team members employees will have the part-time hourly rate multiplied by actual hours worked in the calendar year being evaluated to determine their base salary.

The payment distribution will follow City Council's approval of the scorecard calculation. The calculation will typically occur at City Council's annual goal setting retreat (January/February) and the approval of the scorecard calculation/payment amount will occur at the following regular City Council meeting if possible.

Organizational Performance Incentive Pay Eligibility

The program is limited to regular full-time and part-time team members employees of the City (including bargaining unit personnel).



Newly hired eligible team members employees that work only part of the calendar year for which the Strategic Action Plan is being evaluated would receive payment on a prorated basis as described in the payments section above. Team members Employees leaving City employment before the end of the calendar year being evaluated would not be eligible for any performance payment.

While the program is based on all city team members employees defined above being eligible for any approved Organizational Performance Incentive payment, any team member employee that is denied an individual pay adjustment (cola or merit) during the calendar year covering the Strategic Action Plan being evaluated will not be awarded an Organizational Performance Incentive payment.

Program adopted by City Council 12.21.15

Amendments by City Council 4.18.16

10.5.20

2.17.25 (proposed)