

SUBJECT: LONGEVITY COMPENSATION POLICY

I. Policy

The City of Cottonwood values the years of service its employees give the organization. The purpose of this policy is to provide guidance to govern the annual distribution of Longevity Compensation.

II. Eligibility

- A. An employee must be a full-time classified employee (an employee working 40+ hours weekly).
- B. An employee must have completed five (5) years or more of continuous service.
- C. Years of continuous full-time service will be calculated as of June 30th.
 - 1. Except for military services, unpaid time off payroll does not count toward years of service
 - 2. For the purpose of longevity calculation:
 - a. 2,080 hours per year for classified regular employees
 - b. 3,001.44 hours per year for shift firefighters
- D. An employee must have at least an overall satisfactory rating (3) in their most recent performance review.
- E. If applicable, all eligible employees will have their longevity compensation credited to their retirement plan if enrolled in one of the two City sponsored retirement plans:
 - 1. Arizona State Retirement System (A.S.R.S.)
 - 2. Defined contribution 401(a) plan (A.S.R.S.)
 - 3. Public Safety Personnel Retirement System (P.S.P.R.S.)

III. Procedures

- A. The Cottonwood City Council, during the annual budget preparation process, may appropriate funds for this program, subject to budgetary limitations.
- B. The Finance Department will compile a full-time classified employee listing as per Section II. Eligibility, and make the necessary calculations based on Section IV. Calculation of Annual Longevity Pay Compensation.
- C. The Finance Department will, no later than the first council meeting each November, prepare a Council Communication regarding Longevity Compensation for the past fiscal year.
- D. The Cottonwood City Council may choose to increase, reduce, or eliminate the amount of appropriation based on the City's economic situation.
- E. If approved by the City Council, the Finance Department will produce an employee listing as of November 1st, and make the necessary calculations.

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- F. The Finance Department will make two equal disbursements on off-payroll weeks by no later than mid-December.
- G. Longevity compensation will be subject to statutory deductions.

IV. Calculation of Annual Longevity Compensation – Years of employment calculated as of June 30th each year – Compensation is a flat amount given annually not multiplied by number of years.

- A. 1 - <5 years \$0
- B. 5 - <10 years \$250
- C. 10 - <15 years \$500
- D. 15 - <20 years \$750
- E. 20 - <25 years \$1,000
- F. 25+ years \$1,250

V. Policy Restrictions

- A. No prorated payments will be made for partial years of service.
- B. Part-time, temporary, and volunteers are excluded from any longevity compensation.
- C. Employees contracted through a Phased Retirement Plan are not eligible for longevity compensation.
- D. An employee who terminates employment with the City of Cottonwood, then returns, will forfeit all accrued time.
- E. Employee must still be employed with the City of Cottonwood at the time of various distributions.
- F. An employee receiving an overall rating of <3 (unrounded) in their most recent performance review will forfeit that year's longevity compensation, regardless whether or not they complete their Performance Improvement Plan successfully.
- G. The cap of maximum annual longevity compensation per eligible employee is set at \$1,250.