



A.C.T. SEPARATION ALLOWANCE PLAN POLICY NO: 216-P

- Applies To: Full-Time Unrepresented Administrative, Confidential, and Technical (A.C.T.) Employees
- Effective Date: 09/22/2026

Purpose:

The purpose of this policy is to establish a uniform, equitable framework for providing transitional financial security and benefit continuity to eligible Administrative, Confidential, and Technical (A.C.T.) employees who are separated from service due to organizational changes, workforce reductions, employer-requested separations, or City-sponsored early retirements.

Additional Authority:

This policy is adopted under the administrative authority of the City Manager and the Traverse City Charter. City Commission adopted on 09/21/2026, "*Resolution Authorizing The City Manager To Administer and Execute Personnel Policy No. 216-P*".

Scope & At-Will Employment Disclaimer:

At-Will Employment: Nothing in this policy alters the at-will employment status of any employee. The City retains the absolute right to terminate employment at any time, for any legal reason, with or without advance notice.

No Contract Created: This policy is a guide for benefit administration and does not constitute an express or implied contract between the City and any employee.

Discretionary Application: Authorization of a Separation Allowance Payment shall be determined at the sole discretion of the City Manager and is not a guaranteed benefit or employment expectation.

Responsibility:

The City Manager, in coordination with the Human Resources Department, is responsible for the overall administration, application, interpretation, and periodic review of this policy. Management reserves the right to amend, modify, or terminate this policy at any time without prior notice.

Definitions/Acronyms:

A.C.T. Employee: Regular full-time, unrepresented Administrative, Confidential, and Technical employees.

Employer-Requested Separation: A separation initiated by the City due to restructuring, position elimination, or organizational need, unrelated to performance or misconduct.

Permanent Layoff: A reduction in workforce where there is no reasonable expectation of recall within 60 calendar days.

Base Salary: The employee's regular annual salary (pro-rated) or regular hourly wage. Base salary expressly excludes overtime, shift differentials, longevity pay, bonuses, or other incentive pay.

Policy Statement:

The City of Traverse City may provide a Separation Allowance Payment and temporary health insurance benefit continuation to eligible A.C.T. employees whose employment ends due to a permanent layoff, organizational restructuring, or an employer-requested separation, or City-sponsored early retirement. Eligibility is explicitly contingent upon the employee's execution of a full release of legal claims.

SECTION 1. ELIGIBILITY

1.1 Eligible Employees

To qualify for a Separation Allowance and health benefit continuation under this policy, an individual must meet all of the following criteria:

1. Be a regular, full-time A.C.T. employee.
2. Have completed at least ninety (90) consecutive days of employment (probationary period).
3. Execution of Legal Release: Voluntarily sign, deliver to the City, and not revoke a full separation agreement and release of all legal claims against the City of Traverse City, its officers, agents, and employees, in a form acceptable to the City Attorney.

1.2 Criteria for Ineligibility

An employee is ineligible for a Separation Allowance Payment for the following criteria:

1. Employment status is part-time, temporary, seasonal, provisional, or other non-regular full-time status.
2. Voluntary resignation.
3. Regular, early, or disability retirement.
4. Involuntarily discharged.
5. Failure or refusal to execute the required voluntary release of legal claims within the required time period.
6. Revocation of an executed release of legal claims, as applicable by law.
7. Retirement under the Municipal Employees' Retirement System (MERS) where there is an immediate option to collect pension benefits, unless explicitly requested by the City Manager in writing.
8. Refusal of a comparable job offer in an alternative position/classification with the City that offers a base compensation equal to, or greater than, 75% of the Employee's current base salary/hourly wage..

SECTION 2. SEPARATION ALLOWANCE & BENEFITS

2.1 Cash Separation Pay

Eligible employees who sign and satisfy the conditions of the release of claims will receive two (2) weeks of Base Salary/Wages for each completed full year of continuous service, calculated from their most recent hire date. Payments are subject to the following terms:

- Minimum Benefit: 4 weeks of Base Salary.
- Maximum Benefit: 12 weeks of Base Salary.
- Partial years of service will **not** be rounded up.

2.2 Payment Structure & Taxes

- Payments will be made in a single lump sum and issued on the next regular payroll cycle following the effective date of the signed claims release, to include expiration of any applicable statutory revocation period, as required by law.
- All payments are subject to mandatory state, federal, and local tax withholdings.
- The City will report the Separation Allowance Payment (and leave accrual payouts) to the Michigan Unemployment Insurance Agency as remuneration allocated to consecutive weeks immediately following the Employee's separation from employment, at the Employee's applicable weekly Base Salary/Pay rate, for the number of weeks used to calculate the Separation Allowance Payment.

2.3 Accrued Leave Payouts

In addition to the Separation Allowance Payment, the lump sum will include payment for unused leave balances accrued through the separation date:

- 100% Payout: Earned vacation up to a maximum of 200 hours, personal days, and Short-Term Leave (STL).

2.4 Health Benefit Continuity

Employer Paid: Provided the claims release condition is met, the City will pay 100% of the employer portion for health, dental, and vision insurance premiums through the last day of the month in which Severance Allowance Payment is calculated. *To illustrate, Employee A separates from employment in the middle of April and received four weeks of severance. The Separation Allowance Payment would cover the last two weeks in April and the first two weeks in May. Accordingly, Employee A would have continuation of health, dental, and vision insurance through the end of May.*

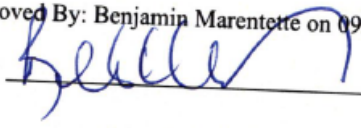
- COBRA: The three-month continuation period runs concurrently with statutory COBRA coverage. Upon expiration of the employer-paid period, the employee may continue coverage at their own expense under standard COBRA rules.

2.5 Re-employment Provisions

If an employee is re-hired or reinstated by the City within one (1) year of separation, prior service years used to calculate the initial Separation Allowance Payment will not be counted toward any future Separation Allowance Payment calculations. Future Separation Allowance Payments will accrue only from the date of reinstatement.

SECTION 3. APPROVAL & GOVERNANCE

No separation allowance, benefit extension, or payment under this policy may be granted or executed without the explicit, written authorization of the City Manager and verification of an executed release of legal claims.

Approved By: Benjamin Marentette on 09/22/2026 Signature: 	History: Separation Allowance - ACT Employees Handbook Filing #175; Supersedes Personnel Policy 216P dated July 2011; Supersedes Personnel Policy 216P dated July 2012
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City of Traverse City

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CITY OF TRAVERSE CITY

CITY COMMISSION RESOLUTION

RESOLUTION AUTHORIZING THE CITY MANAGER TO ADMINISTER AND EXECUTE PERSONNEL POLICY NO. 216-P (A.C.T. SEPARATION ALLOWANCE PLAN POLICY)

WHEREAS, the City Charter provides that all employees of the City of Traverse City, except the City Attorney, serve at the pleasure of the City Manager (Chapter V, Section 36(d)), with the City Clerk and City Treasurer subject to the appointment and removal provisions contained within the City Charter (Chapter V, Section 38); and

WHEREAS, the City Charter provides the framework and limitations on the City Manager's per transaction spending authority; and

WHEREAS, City of Traverse City maintains Policy No. 216-P, governing the Separation Allowance Plan for eligible unrepresented Administrative, Confidential, and Technical (A.C.T.) employees; and

WHEREAS, Policy No. 216-P establishes a uniform, equitable framework for providing transitional financial security and health benefit continuity to eligible employees who are separated from service due to permanent layoffs, organizational restructurings, employer-requested separations, or City-sponsored early retirement; and

WHEREAS, the terms, eligibility requirements, payout formulas, payment and benefit limitations, and required voluntary execution of a full release of legal claims are clearly defined within the parameters of Policy No. 216-P; and

WHEREAS, under the Traverse City Charter and administrative structure, the City Manager serves as the chief administrative officer responsible for the daily administration of personnel policy and workforce management.

WHEREAS, Policy No. 216-P provides that the City Manager maintains sole discretion to offer and provide a Separation Allowance Payment, limited to no more than twelve (12) weeks of prorated compensation to eligible A.C.T.; and

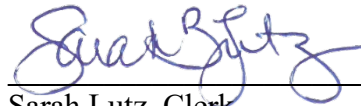
WHEREAS, such payment, based on the eligible employee's fixed compensation rate, may exceed the City Manager's spending authority; and

WHEREAS, City Commission review and approval for each routine administrative execution of Policy No. 216-P will likely cause unnecessary administrative delay in presenting and processing timely separations and financial transitions.

NOW, THEREFORE, BE IT RESOLVED by the City Commission of the City of Traverse City, Michigan, as follows:

1. Delegation of Authority: Subject to the provisions of Policy 216-P, the City Manager is hereby authorized to administer, approve, and execute Separation Allowance Payments, benefit continuations, and associated separation agreements for eligible A.C.T. employees.
2. Condition of Release: The City Manager's authority to grant benefits under this resolution remains contingent upon each eligible employee executing a voluntary release of legal claims in a form approved by the City Attorney.
3. Reporting Expectation: The City Manager shall periodically inform the City Commission about authorized use of Policy No. 216-P as part of regular administrative or executive updates when such actions exceed the general spending authority afforded to the City Manager.
4. Effective Date: This resolution shall take effect immediately upon adoption.

I, Sarah Lutz, City Clerk of the City of Traverse City, do hereby certify that the above is a true and correct copy of a resolution adopted at the meeting of the City Commission of the City of Traverse City on September 21, 2026, at which a quorum was present and voted.



Sarah Lutz, Clerk
City of Traverse City, Michigan