

**TO: Honorable Mayor and City Council**

**FROM: City Administrator Ron Johnson**

**SUBJECT: International Union of Operating Engineers (IUOE), Local #49- Adopt MN State Retirement System (MSRS)/Health Care Savings Plan (HCSP) Resolution and Approve Labor Agreement**

**DATE: May 29, 2015**

**BACKGROUND**

Staff, with the assistance of the Personnel Committee, has been negotiating with IUOE reps on a 3 year labor agreement, and hereby presents the final draft for Council consideration and approval. Although most of the changes were approved for recommendation earlier this year, work has continued on the language for the MN State Retirement System component of the agreement, and just this week we received approval from the state on the language.

The contract proposal is for 3 years but in year 2 and 3 can be opened up for wages only. The recommendation is to approve the agreement retroactive to January 1, 2015, and reflects the following changes:

- Adjusts wages upward by 2% retroactive to Jan 1 and approves another increase of .5% on July 1, 2015 (same as LELS and non-union)
- Adjusts vacation schedule to match LELS and non-union
- Gives ability to work straight 8 hour shifts with conditions
- Includes a modification of stand-by pay that results in an extra 2 hours of pay per week
- Allows eight (8) hours compensatory time when they are placed on Stand- by on Thanksgiving Day, Christmas Day and New Year's Day
- Allows payment of two (2) times the regular rate of pay on Thanksgiving Day, Christmas Day and New Year's Day
- Approves \$30/year increase in uniform allowance (from \$500 to \$530, \$560 and \$590)
- For Class B Wastewater License for one person designated by the employer as primary operator earned and paid monthly shall be \$6000/yr. effective 1/1/15; \$7200/ yr. effective 1/1/16 and \$8600/yr effective 1-1-2017.(currently at \$5,000/yr)
- Allows up to two employees to be eligible for Herbicide License compensation. The City shall pay \$25 per month for the months of May-September.
- Includes language related to the MN State Retirement System/Health Care Savings Plan

**REQUESTED COUNCIL ACTION**

- 1) Adopt the Resolution Providing for a Post-Employment Health Care Savings Plan, and
- 2) Approve the labor agreement with IUOE effective January 1, 2015 through December 31, 2017, with 2016 and 2017 subject to being opened to wages only as recommended by the Personnel Committee

Attachments: Resolution 2133; Red-lined copy of current contract; Final draft agreement

**CITY OF CANNON FALLS  
GOODHUE COUNTY, MINNESOTA**

**RESOLUTION NUMBER 2133**

**A RESOLUTION PROVIDING FOR POST-EMPLOYMENT HEALTH CARE SAVINGS  
PLAN (HCSP)**

**WHEREAS**, the City Council of the City of Cannon Falls finds it desirable and beneficial to the City and to its employees to establish a Post-Employment Health Plan also known as a Health Care Savings Plan;

**NOW THEREFORE BE IT RESOLVED BY THE CITY OF CANNON FALLS THAT** there is hereby established an employee benefit program for covered members of the International Union of Operating Engineers, Local No. 49, known as Health Care Savings Plan (HCSP) with an implementation date of January 1, 2015 (see below for effective date) for the duration of the January 1, 2015- December 31, 2017 labor agreement.

**FUNDING OF THE HCSP.** On the next January 2<sup>nd</sup>, after accumulation of a minimum of 384 hours of sick leave, 24 hours of sick leave less any hours used during the prior year for paid sick and emergency leave will be removed from the employee's sick leave balance, and that number of hours will be multiplied by the employees regular hourly rate to get an amount of cash that will be contributed to the employees HCSP account. Money would be contributed to the HCSP in the same manner after each subsequent year during which the sick-leave balance remains above 384 hours, (Note for hourly employees. Recognizing that hourly workers do not have flexibility to absent themselves from work without using sick leave for minor doctor visits and annual medical checkups, the deduction from HCSP eligible transfers for used sick leave shall be reduced by eight hours per year.)

On the next January 2<sup>nd</sup>, after accumulation of 720 hours of sick leave, 48 hours of sick leave less any hours used during the prior year for paid sick and emergency leave will be removed from the employee's sick leave balance, and that number of hours will be multiplied by the employees regular hourly rate to get an amount of cash that will be contributed to the employees HCSP account. Money would be contributed to the HCSP in the same manner after each subsequent year during which the sick-leave balance remains above 720 hours. (Note for hourly employees. Recognizing that hourly workers doctor visits and annual medical checkups, the deduction from HCSP eligible transfers for used sick leave shall be reduced by eight hours per year.)

Any unused sick leave balances eligible to be paid as terminal leave benefits at termination to the extent that the amount eligible to be paid equals 30 hours or more, will be paid only to the employee's Health Care Savings Plan not directly to an employee.

The maximum accumulation for sick leave is 960 hours. All employees when they have accrued 960 hours, 60 hours of sick time will be automatically transferred and converted into cash and deposited in their post-employment health care savings account.

All employees who have accrued 320 hours of vacation time, eighty (80) hours will be converted into cash and deposited in the Post Employment Healthcare Savings Account.

**ADDITIONAL FUNDING:** For all covered employees with a least ten years of work service, one half of unused vacation at the time of termination, eligible to be paid as terminal leave benefit, shall be paid at the employees current pay rate, into the employee's HCSP account. All Employees shall contribute \$25.00 per pay period.

The HCSP account may be used at termination of employment for medical insurance premiums and unreimbursed medical expenses as permitted by IRS regulations. The money would be available to the former employee, a spouse or a qualifying dependent.

### **Death of Employee**

#### ***Contributions not allowed after death of employee***

MSRS cannot accept an HCSP contribution after an employee's death unless the contribution is the result of payroll deductions. The HCSP contract language should indicate how or if money will be paid upon the death of an employee. If a contribution is remitted after an employee's death, please see [Contributions made in error](#).

#### ***Distribution of HCSP assets upon participant's death***

Upon the death of an HCSP participant, the remaining account balance is always transferred to an heir to use for reimbursement of eligible health care expenses. The transfer is as follows:

- If spouse, balance is transferred to spouse to use for tax-free reimbursements.
- If no spouse, then balance is transferred to surviving legal dependents to use for tax-free reimbursements.
- If no spouse or legal dependents, the funds are transferred to designated beneficiary. Reimbursements to a designated beneficiary are subject to state and federal income taxes.
- If no spouse, legal dependents or designated beneficiary, a representative of the estate will name a person eligible to receive the remaining account balance in the form of reimbursements. Reimbursements to this person are subject to state and federal income taxes.

**ADMINISTRATIVE FEES:** Administrative fees imposed upon employee accounts by the plan administrator, Minnesota State Retirement System, shall be deducted from each individual participant's account.

**EFFECTIVE DATE:** This program shall be effective January 1, 2015. Ongoing payroll deductions will begin when this resolution is signed. The annual sick leave conversion will begin January 1, 2016, or as soon thereafter as possible.

**DURATION:** The City Council reserves the right to terminate this program at any time, understanding that balances previously transferred to employee accounts shall remain the property of the employee to be used after termination of employment.

**AUTHORIZATION TO EXECUTE PLAN DOCUMENTS:** The Mayor and City Administrator are hereby authorized to execute and file any and all documents, subject to review by the City Attorney, necessary to implement the HCSP through Minnesota State Retirement System.

Adopted by the Council this 2nd day of June, 2015.

CITY OF CANNON FALLS, MINNESOTA

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By: Lyman M. Robinson, Mayor

Attest:

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Ronald S. Johnson, City Administrator