

TO: MAYOR AND CITY COUNCIL

FROM: NEIL JENSEN, City Administrator

SUBJECT: Resolution 2527 Providing for Post – Employment Health Care Savings Plan (HCSP)

MEETING DATE: December 15, 2020

BACKGROUND:

As part of the Police Officers Union Contract the Health Care Savings Plan Resolution has to be updated to reflect the new union contract dates that was approved by the officers this week. There are no changes to the document except the dates and signatures coinciding with the contract.

STAFF RECOMMENDATION

Please approve Resolution 2527 Providing for Post-Employment Health Care Savings Plan (HCSP) as negotiated with the Police Officers Union contract.

REQUESTED COUNCIL ACTION

Please approve Resolution 2527 Providing for Post-Employment Health Care Savings Plan (HCSP).

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

RESOLUTION NUMBER 2527

**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 the Law Enforcement Labor Services, local #145 employees, benefit eligible part-time and full-time employees known as Post-Employment Health Care Savings Plan (HCSP) with an implementation date of January 1, 2021 (see below for effective date) for the duration of the January 1, 2021-December 31, 2023.

Funding of the HCSP

Employee Contributions - % of Pay

Employees with the City of Cannon Falls will contribute 1% of their gross pay per pay period.

Additional Funding

Sick Time Severance

Employees in good standing, with 0 years to 9 years of service with the City of Cannon Falls, will contribute 30% of their unused sick leave at the time of termination or retirement, at the employee's current pay rate, into the employee's HCSP.

Employees in good standing, with 10 plus years of service with the City of Cannon Falls, will contribute 60% of their unused sick leave at the time of termination or retirement, at the employee's current pay rate, into the employee's HCSP.

Wellness Payout

On each January 2nd, employees who maintain between 384 and 719 hours of accrued sick leave will have 24 hours removed from their balance and applied at their current hourly rate to provide an amount of cash that will be contributed to the employee's Health Savings Account.

On each January 2nd, employees with sick leave accrual greater than 720 hours will have 48 hours of pay contributed to their Health Savings Account.

DEATH OF AN EMPLOYEE

Contributions not allowed after death of employee

MSRS cannot accept a PRHCSP (Post Retirement Health Care Savings Plan) contribution after an employee's death unless the contribution is the result of payroll deductions. If a contribution is remitted after an employee's death, the employer will work directly with the record keeper, Empower Retirement, to request a reversal.

Distribution of PRHCSP assets upon participant's death

Upon the death of a PRHCSP 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.

WAIVING PARTICIPATION (EMPLOYEE OPT OUT)

All employees must participate in the HCSP adopted by the City of Cannon Falls Council; however an employee can opt out of the Plan if he/she is:

- Eligible for TRICARE retirement benefits;
- Eligible for V.A. medical benefits due to a service-connected disability;
- Is a foreign national who plans to return to their country of origin;
- Has comprehensive health care coverage through another documented source.

The comprehensive coverage must be provided until death and 70% of the cost covered by the employer. The insurance coverage must be provided by a source other than the current employer who is sponsoring the PRHCSP, such as a former employer or spouse's employer.

All waiver requests must be approved by MSRS

- The employee should contact the MSRS Service Center to obtain a waiver form. MSRS will explain to the employee the impact of waiving participation.

- The employee must return the completed form and supporting documentation to MSRS for review and approval.
- If the waiver is approved by MSRS, a confirmation letter will be sent to the employee.

Communication approved waiver to employer

A copy of the employee’s approval to opt out confirmation letter will be sent to the City of Cannon Falls so appropriate action can be taken, if any.

The approved waiver only applies to future contributions

Contributions remitted prior to the waiver approval date will remain in the PRHCSP account to be used for post-employment reimbursement of eligible health care expenses.

An election to waive participation is irrevocable

The employee will not have another opportunity to participate in the PRHCSP, even if they are employed by another Minnesota public employer.

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, 2021. Ongoing payroll deductions will begin when this resolution is signed.

DURATION: The City Council reserves the right to terminate this program at any time, after giving effected employees 90 day notice to end the program, 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 15th day of December, 2020.

CITY OF CANNON FALLS

Attest:

By: John O. Althoff, Mayor

Neil L. Jensen, City Administrator