

TO: MAYOR AND CITY COUNCIL

FROM: NEIL JENSEN, City Administrator

SUBJECT: Resolution 2531, Providing for Post – Employment Health Care Savings Plan (HCSP) 49er’s

MEETING DATE: January 5, 2020

BACKGROUND

As part of the International Union of Operating Engineers Union Contract the Health Care Savings Plan Resolution has to be updated to reflect the new union contract dates that was approved by Public Works. There are no changes to the document except the dates and signatures coinciding with the contract.

STAFF RECOMMENDATION

Please approve Resolution 2531, Providing for Post-Employment Health Care Savings Plan (HCSP) as negotiated with the 49er’s Union contract.

REQUESTED COUNCIL ACTION

Please approve Resolution 2531, Providing for Post-Employment Health Care Savings Plan (HCSP) 49er’s.

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

RESOLUTION NUMBER 2531

**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 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, 2021 for the duration of the January 1, 2021- December 31, 2023 labor agreement.

FUNDING OF THE HCSP. On the next January 2nd, 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 2nd, 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 310 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, 2021.

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 5th day of January, 2021.

CITY OF CANNON FALLS, MINNESOTA

By: John O. Althoff , Mayor

Attest:

Neil L. Jensen , City Administrator