

**TO: MAYOR AND CITY COUNCIL**

**FROM: NEIL JENSEN, City Administrator**

**SUBJECT: Resolution 2660, Providing for Post-Employment Health Care Savings Plan, Non-Collective Group Vacation / Sick Leave Policy Amendment to Health Care Savings Plan**

**MEETING DATE: December 20, 2022**

**BACKGROUND**

Several months ago, the Finance Committee reviewed the non-union vacation and sick leave policies. The Finance Committee recommended that the non-collective group receive similar vacation and sick leave benefits that the other groups receive. There are 3 other employee groups that have different but similar benefits that have been negotiated over time with their contracts.

The non-collective group voted on the language and approved the policy change. Majority vote is required by Statute to amend the HCSP. This will become effective on December 21, 2022. Below you will find the highlighted language recommended by the Finance Committee.

The vacation time policy is as follows:

“All covered employees who have accrued 310 hours of vacation time, Forty (40) hours will be converted into cash at the employees current pay rate and deposited in the HCSP account, this conversion and transfer shall only occur once per calendar year.”

The sick leave policy is as follows:

“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.”

**FYI it takes 10 years to accumulate 960 hours of sick time without any use.**

**STAFF RECOMMENDATION**

Please approve Resolution 2660, Providing for Post-Employment Health Care Savings Plan (HCSP).

**REQUESTED COUNCIL ACTION**

Please make a motion to approve Resolution 2660, Providing for Post-Employment Health Care Savings Plan (HCSP).

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

**RESOLUTION NUMBER 2660**

**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 administered by Minnesota State Retirement System;

**NOW THEREFORE BE IT RESOLVED BY THE CITY OF CANNON FALLS THAT** there is hereby established an employee benefit program for the non-collective bargaining unit/non-department head employees, benefit eligible part-time and full-time employees known as Post-Employment Health Care Savings Plan (HCSP) with an implementation date of December 21, 2022 (see below for effective date) for the duration of the November 28, 2022-November 28, 2024 contract.

**Funding of the HCSP**

**Employee Contributions - % of Pay**

Employees with 0 years to 9 years of service with the City of Cannon Falls will contribute 1% of their gross pay per pay period.

Employees with 10 plus years of service with the City of Cannon Falls will contribute 2% of their gross pay per pay period.

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 covered employees who have accrued 310 hours of vacation time, Forty (40) hours will be converted into cash at the employees current pay rate and deposited in the HCSP account, this conversion and transfer shall only occur once per calendar year.

**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 25% of their eligible 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 50% of their eligible unused sick leave at the time of termination or retirement, at the employee's current pay rate, into the employee's HCSP.

### **Vacation Time Severance**

Employees in good standing, with 0 years to 9 years of service with the City of Cannon Falls, will contribute 25% of their eligible unused vacation leave at the time of termination or retirement, at the employee's current rate of pay, into the employee's HCSP. Employee will receive remaining 75% of their eligible unused vacation leave at the time of termination or retirement, at the employee's current pay rate, in cash.

Employees in good standing, with 10 years to 19 years of service with the City of Cannon Falls, will contribute 50% of their eligible unused vacation leave at the time of termination or retirement, at the employee's current rate of pay, into the employee's HCSP. Employee will receive remaining 50% of their eligible unused vacation leave at the time of termination or retirement, at the employee's current pay rate, in cash.

Employees in good standing, with 20 plus years of service with the City of Cannon Falls, will contribute 75% of their eligible unused vacation leave at the time of termination or retirement, at the employee's current rate of pay, into the employee's HCSP. Employee will receive remaining 25% of their eligible unused vacation leave at the time of termination or retirement, at the employee's current pay rate, in cash.

### **Wellness Payout**

On each January 2<sup>nd</sup>, 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 2<sup>nd</sup>, 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 December 21, 2022.

**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 20th day December, 2022.

CITY OF CANNON FALLS,  
MINNESOTA

Attest:

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By: John O. Althoff, Mayor

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Neil L. Jensen, City Administrator