



Human Resources Department

Date: April 1, 2009

To: Council Member Paul Ostrow
Chair, Ways & Means Committee

Subject: Minneapolis Economic Recovery Strategy - COBRA benefits:

Presenter in Committee: Tim Giles, Director, Employee Services

The discussion item is related to how best to modify how appointed and non-represented employees are provided health care continuation in the event of an involuntary termination in order for our procedures to be compatible with the "American Recovery and Reinvestment Act of 2009" (stimulus package) signed into law by President Obama on February 17, 2009. A part of the "stimulus package" allows employees that are involuntarily terminated to continue their health care by paying 35% of what they are required to pay under COBRA continuation for nine (9) months. The Act is in effect from September 1, 2008 through December 31, 2009. Under the "stimulus package" the Federal Government will pay, under certain conditions, the remaining 65%.

The City of Minneapolis currently provides full payment for health care continuation for six (6) months under our "severance" package for appointed employees and under our "Job Bank" provisions for non-represented employees. The proposed changes would provide the following:

- It shifts the burden of payment for health care continuation for the first six (6) months from the employer to the employee.
- It provides funds, through a HRA/VEBA contribution, sufficient for the employee to receive nine (9) months of health care at 35% of the cost, thus, providing nine (9) months of virtually free health care.
- It reverts to the existing plan on January 1, 2010.

Approving these changes will allow the City of Minneapolis to save approximately 47.5% of our current obligation for each involuntarily terminated employee, which conservatively, approximates \$2800, while providing each laid off employee nine (9) months of COBRA benefits, rather than the six (6) months the City currently provides.

Additionally, all bargaining units with “Job Bank rights” are also agreeable to these modifications.

The first round of involuntary terminations is scheduled for May 1, 2009. In order for the City of Minneapolis and its employees to be eligible for these gains, these changes must be in place.