Request for City Council Committee Action
From the Department of Human Resources

Date: November 30, 2004

To: Ways & Means/Budget Committee

Referral to:

Subject: City of Minneapolis Amended and Restated Health Reimbursement Arrangement Plan and Trust Agreement

Recommendation: 1) That the City Council approve adoption of the City of Minneapolis Amended and Restated Health Reimbursement Arrangement Plan and Trust Agreement ("Plan");
2) That the City Council authorize the proper City officials to amend the City of Minneapolis Trust Agreement with Wells-Fargo, N.A., for the period of January 1, 2005 through March 31, 2005; and

Previous Directives:

- Approval on September 26, 2003, of the employee benefits package for the calendar year 2004, and said employee benefits package included health plans coupled with a voluntary employee benefit association plan. Establishment of a VEBA Plan in December 2003, including approval of the adoption of the Retirement Enhancement and Benefit Alternatives VEBA Plan and authorization to enter a Trust Agreement for the period of January 1, 2004 through December 31, 2006 with Manufacturers and Traders Trust Company.
- Approval on March 19, 2004 of the City of Minneapolis Voluntary Employees' Beneficiary Association Health Benefit Plan ("City VEBA Plan") and authorization for the proper City officials to enter into the City of Minneapolis Voluntary Employees' Beneficiary Association Health Benefit Trust Agreement with Wells-Fargo, N.A., for the period of January 1, 2004 through December 31, 2004

Prepared by: Susan Trammell Phone: 612-673-3230

Approved by: _____ _____
Pam French John Moir
Director, Human Resources City Coordinator

Presenter in Committee:

Financial Impact (Check those that apply)
_x No financial impact - or - Action is within current department budget.
(If checked, go directly to Background/Supporting Information)
___ Action requires an appropriation increase to the Capital Budget
___ Action requires an appropriation increase to the Operating Budget
___ Action provides increased revenue for appropriation increase
___ Action requires use of contingency or reserves
___ Other financial impact (Explain):
___Request provided to the Budget Office when provided to the Committee Coordinator

Background/Supporting Information:
Since the adoption of the “VEBA plan”, the Internal Revenue Service has issued further guidance on Health Reimbursement Arrangements. Upon further study of the IRS guidance, it has been determined that the City’s VEBA plan is actually a Health Reimbursement Arrangement (“HRA”) with a VEBA Funding vehicle. Because the IRS will treat the City’s Plan as an HRA, it is recommended that the Plan be properly named. Other amendments have been made to the plan to add clarity and to conform to IRS HRA guidance.

The original trust agreement ends December 31, 2004. Amendments to the Plan require similar amendments to the Trust Agreement. Finance is in the RFP process of seeking providers of all financial services, including trustee for the Plan. Finance anticipates that the selection and contracting of financial services will be completed by March 31, 2005.