



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

Date: April 30, 2007
To: Ways and Means Committee
Referral to: City Council

Subject: City of Minneapolis Minneflex Plan

Recommendation:

That the City Council approve adoption of the City of Minneapolis Minneflex Plan, as Amended and Restated Effective January 1, 2007.

Previous Directives:

None

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Approved by:	<hr/> Pamela French Human Resources Director	<hr/> Stephen Bosaker City Coordinator
Presenters in Committee:	Joyce Traver, Benefits Manager	

Financial Impact

- No financial impact

Supporting Information

In 1987, the City Council adopted the City of Minneapolis Minneflex Plan (the "Plan"). The Plan is intended to qualify as a "cafeteria plan" as defined in Section 125 of the Internal Revenue Code so that benefits a participant elects to receive under the Plan will be eligible for exclusion from the participant's income to the fullest extent possible under the Internal Revenue Code.

The Plan was amended several times over the years and was completely restated effective August 1, 2004 to (1) incorporate previous amendments and (2) update Plan provisions to comply with then-current Federal law and the changes resulting from the City's decision to outsource certain claims processing functions.

Since the 2004 restatement, numerous changes in Federal law have occurred that require updates to the Plan document. The restated Plan also contains clarifying changes to more

accurately Plan requirements such as eligibility and participant. The restated Plan document retains the essential operational features of prior Plan documents. Key changes are summarized below.

1. **Eligibility.** The Plan was updated to reflect that eligibility, waiting periods, effective dates of participation, and employee contribution requirements will be determined by the employer based on applicable policy or collective bargaining agreement.
2. **Elections.** The Plan was updated to reflect how elections are made and to specify rules for individuals who do not make elections during their initial enrollment periods.
3. **No Cash Option.** The Plan was updated to accurately reflect that a cash benefit is not available to individuals who decline medical or dental coverage.
4. **Delegation of Responsibilities.** The Plan was clarified to reflect that the City of Minneapolis and not all adopting employers have authority over the Plan as the plan administrator.
5. **Medical Expense Reimbursement Plan.** The prior plan document provided for an annual maximum contribution to the Medical Expense Reimbursement Plan equal to 100% of gross compensation with no other overall maximum. While technically there are no statutory limits for these accounts, allowing employees to defer 100% of gross compensation may result in violations of Internal Revenue Code nondiscrimination rules. Therefore, the Plan was amended to limit the maximum annual contribution to Medical Expense Reimbursement Plan to \$20,000 (the maximum employee deferral for 2007).
6. **New Dependent Care Rules.** The Plan was updated to incorporate recent IRS guidance regarding eligible dependent care expenses, qualifying individuals, and special "tie-breaker" rules where more than one individual claims the child as a qualifying individual.
7. **Definition of Dependent.** The Plan was updated to incorporate recent changes in federal law regarding the definition of persons with respect to whom an employee may receive tax-free benefits under a medical expense reimbursement plan. This new definition is more expansive than that included in the current plan document.
8. **COBRA Notifications.** Consistent with final COBRA regulations, the Plan was updated to include procedures a qualified beneficiary must follow to provide certain notifications to the Plan.
9. **HIPAA Security.** Portions of the Plan are covered entities for purposes of HIPAA Privacy and Security. The restatement includes the required HIPAA Security language.