Request for City Council Committee Action
From the Department of Finance

Date Monday, March 28, 2005
To Council Member Barbara Johnson, Chair
Referral to Ways & Means/Budget Committee

Subject **MPRA/MFRA Medical Insurance Premium Subsidy**

Recommendation
Approve the 2005 payment totaling $62,500 to the Minneapolis Police Relief Association (MPRA) and $37,500 to the Minneapolis Firefighters' Relief Association (MFRA) to be paid from 6900-129-1297. No offsetting revenue has been identified.

Previous Directives
NA

Prepared or Submitted by Lindsey Alexander, Senior Financial Analyst, 673-2174
Approved by

John Moir, City Coordinator

Patrick Born, Finance Officer

Presenters in Committee Patrick Born, Finance Officer

Financial Impact (Check those that apply)
____ 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
_x_ Action requires use of contingency or reserves
___ Other financial impact (Explain):

___Request provided to the Budget Office when provided to the Committee Coordinator

Community Impact (use any categories that apply)
Neighborhood Notification
City Goals
Comprehensive Plan
Zoning Code
Other

Background/Supporting Information Attached

In early 2005, the Human Resource's Benefits Department received invoices from the Minneapolis Police Relief Association (MPRA) and Minneapolis Firefighters' Relief Association (MFRA). These invoices were for monthly subsidy payments for medical insurance premiums covering retirees of these two plans. The monthly invoices total $100,000 annually ($62,500 to Police and $37,500 to Fire).

As part of a benefits audit, the Human Resources Department began researching the authorization of these annual payments. The City has a history of paying MPRA and MFRA these invoices, although no prior City Council action or contract was found that authorizes the payments. Further, this item has not been specifically been included in prior budgets.

These payments began in 1988 and, it appears from the documentation received from the Police Relief Association, the payments started when the City received an increase in state pension aid and agreed to fund $100,000 of retiree medical insurance costs annually. Prior payments have been made from the Self Insurance Fund. Payment of this item without offsetting revenue will worsen the fund's negative cash position by $100,000 annually.

The Finance Department requests authorization to approve the 2005 subsidy payments to these two funds, in the amount of $100,000. Authorization for future payments, if any, will be incorporated into the annual budget process, starting in 2006. If this item is to be included on an ongoing basis it will need to be incorporated into the Self Insurance Fund rate model or financed through a General Fund transfer.