CITY OF MINNEAPOLIS

and

INTERNATIONAL ASSOCIATION OF MACHINISTS AND AEROSPACE WORKERS, DISTRICT LODGE #77 AFL-CIO (Machinists Unit)

LETTER OF AGREEMENT
Health Care Insurance

WHEREAS, the City of Minneapolis (hereinafter "Employer") and the (Bargaining Unit) (hereinafter "Union") are parties to a Collective Bargaining Agreement that is currently in force; and

WHEREAS, the Parties desire to provide quality health care at an affordable cost for the protection of employees, which requires a modification to the current Collective Bargaining Agreement as it relates to the funding of Health Care beginning in 2010; and

NOW, THEREFORE BE IT RESOLVED, that the parties agree as follows for the period January 1, 2011 through December 31, 2011;

1. The City will offer a medical plan through Medica Insurance Company ("Medica"). Employees can elect to enroll in one of three provider networks. Medica Elect and Medica Essential are managed care models and Medica Choice is an open access model.

2. For the period January 1, 2011 through December 31, 2011, the City will pay $372.06 per month for single coverage and $1,297.48 per month for family coverage for employees who enroll in the Elect and Essential networks. The employee will pay the additional monthly premium costs associated with the selected plan through pre-tax payroll deductions.

3. For the period January 1, 2011 through December 31, 2011, the City will pay $381.87 per month for single coverage and $1,321.42 per month for family coverage for employees who enroll in the Choice network. The employee will pay the additional monthly premium cost through pre-tax payroll deductions.

4. The City will continue the Health Reimbursement Arrangement ("the Plan") which was established January 1, 2004 to provide reimbursement of eligible health expenses for participating employees, their spouse and other eligible dependents; and the Voluntary Employees' Beneficiary Association Trust (the "Trust") through which the Plan is funded.

5. The Plan shall be administered by the City or, at the City's discretion, a third party administrator.

6. The City shall designate a Trustee for the Trust. Such Trustee shall be authorized to hold and invest assets of the Trust and to make payments on instructions from the City or, at the City's discretion, from a third party administrator in accordance with the conditions contained in the Plan. Representatives of the City and up to three representatives selected by the Minneapolis Board of Business Agents shall constitute the VEBA Investment Committee which shall meet not less than annually to review the assets and investment options for the Trust.

7. The City shall pay administration fees for Plan members who are current employees and other expenses pursuant to the terms of the Plan. Plan members who have separated from service will be charged an administration fee of $1.50 per month beginning the January 1st following the year in which they incur a one year break in service.

8. The City will make a contribution to the Plan in the annual amount of $996.00 for employees who elect single coverage and $2,004.00 for employees who elect family coverage. -Such City contribution shall be made in monthly

installments equal to one-twelfth (1/12) of the designated amount and shall be considered to be contract value in the designated amount.

By August 1, 2011, the City shall make an additional lump sum contribution to the Plan for employees who are enrolled in the medical plan as of January 1, 2011 and who complete a Medica Health Assessment Questionnaire during the period January 1, 2011 through May 31, 2011. The amount of such additional contribution shall be $84.00 for employees who elect single coverage and $276.00 for employees who elect family coverage. In 2012 and beyond, contributions to the Plan shall return to 2010 levels ($90.00 per month for employees who elect single coverage and $190.00 per month for employees who elect family coverage) and there will be no mandatory wellness programs unless the Parties negotiate a new agreement.

In the event of a forfeiture required pursuant to Section 5.5(b) of the Plan, following the death of a member who has no surviving spouse or qualified dependents, the amount forfeited will be divided evenly among the Plan accounts of members of the bargaining unit to which the deceased member last belonged. The amount to be forfeited will be calculated as of the date claims for reimbursement are no longer timely pursuant to terms of the Plan. For purposes of eligibility to receive such forfeited amount, bargaining unit membership will be determined on the date such forfeiture is distributed.

9. Future employee contributions for medical plan coverage and/or Plan contribution amounts for 2011 and 2012 shall be determined by the Benefits Sub-committee of the Citywide Labor Management Committee; however, absent a subsequent agreement, the City shall bear 82.5% of any generalized medical premium rate increase and the employees shall bear 17.5% of any generalized medical premium rate increase, as determined by Medica.

10. Between January 1, 2011 and April 30, 2011, the City will provide at least one-half hour of in-service training to all employees explaining the benefits of the Health Assessment and other wellness programming and give employees the opportunity to take the Health Assessment during work time.

11. The Parties agree that, except for City contributions to the Plan or other negotiated payments to a tax-qualified health savings account, incentives, discounts or special payments provided to medical plan members that are not made to reimburse the member or his/her health care provider for health care services covered under the medical plan (e.g. incentives to use health club memberships or take health risk assessments) are not benefits for the purposes of calculating aggregate value of benefits pursuant to Minn. Stat. § 471.6161, Subd. 5.

12. The unions shall continue to be involved with the selection of and negotiations with the medical plan carrier.

13. This agreement does not provide the unions with veto power over the City's decisions.

14. This agreement does not negate the City's obligation to negotiate with the unions as described by Minn. Stat. § 471.6161, Subd. 5.

15. The terms of this agreement shall be incorporated into the Collective Bargaining Agreement as appropriate without additional negotiations.

16.

THE PARTIES have caused this Letter of Agreement to be executed by their duly authorized representative whose signature appears below:

FOR THE CITY OF MINNEAPOLIS:

1-24-11

Timothy O. Giles Date
Director, Employee Services

FOR THE UNION:

01-24-11

John Steigauf, Date
Business Representative, Machinists, Local #77