CITY OF MINNEAPOLIS

and

MINNEAPOLIS FOREMEN'S ASSOCIATION

LETTER OF AGREEMENT
Health Care Insurance

WHEREAS, the City of Minneapolis (hereinafter "Employer") and Minneapolis Foremen's Association (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 2012 and

NOW, THEREFORE BE IT RESOLVED, that the parties agree as follows for the period January 1, 2012 through December 31, 2013:

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. Effective January 1, 2012, the monthly premium for family medical coverage will equal 3.2 times the premium for single medical coverage. Effective January 1, 2013, the monthly premium for family medical coverage will equal 2.8 times the premium for single medical coverage.

3. Effective January 1, 2012, Medica will establish a dual medical premium system that will provide wellness program incentives. The monthly medical premiums for subscribers who complete the required wellness program by August 31 of the preceding year (the "completer premiums") will be lower than the premiums for subscribers who do not complete the required wellness program (the "non-completer premiums"). The required wellness program will consist of the following components of the My Health Rewards by Medica SM program: health assessment, eight health topics and goals and the completion of two phone calls with a Medica health coach, if the employee received an invitation to health coaching.

4. Monthly employee medical contributions for 2012 and 2013 will be determined as follows:

    a. For employees who complete the required wellness program by August 31 of the preceding calendar year and who enroll in the Medica Elect or the Medica Essential network, monthly medical plan contributions will increase over monthly medical plan contributions in effect for the previous calendar year by a percentage equal to one-half of the overall medical premium increase percentage.

b. For employees who complete the required wellness program by August 31 of the preceding calendar year and who enroll in the Medica Choice network effective, monthly medical plan contributions will increase over monthly medical plan contributions in effect for the previous calendar year by a percentage equal to the overall medical premium increase percentage.

c. For employees who do not complete the required wellness program by August 31 of the preceding calendar year, monthly medical plan contributions will equal the difference between the non-completer premiums, as determined by Medica, and the City's contributions towards the premiums for employees who complete the required wellness program. However, such difference in the employee portion of the premium payable by non-completers relative to completers shall not exceed $30 per month for single coverage or $100 per month for family coverage.

d. Upon becoming eligible for health insurance coverage, newly enrolled employees shall initially pay the same employee contribution toward monthly premium as is payable by employees who do not complete the wellness program requirements. If the newly enrolled employee completes the wellness program requirements within 60 days of becoming eligible for health insurance coverage, the employee's portion of the monthly premium will be reduced to the employee contribution amount payable by employees who complete the wellness program requirements. Such reduction shall be effective the first of the month following the 60-day deadline and shall remain in effect for the plan year in which the employee was enrolled and for the following plan year. Thereafter the employee must satisfy the wellness program requirements applicable with regard to subsequent plan years. If the newly enrolled employee does not complete the wellness program requirements within 60 calendar days of the commencement of his/her coverage, the employee's portion of the monthly premium will continue at the "non-completer" amount and shall remain at that level for the remainder of the year in which he/she was enrolled and until the beginning of a subsequent plan year for which the employee did satisfy the wellness program requirements applicable to such subsequent plan year.

5. 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.

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

7. 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.

8. 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 of the calendar year following the year in which they experience a one year break in service.

9. The City will make a contribution to the Plan in the annual amount of $1,080.00 for employees who elect single coverage and $2,280.00 for employees who elect family coverage in the City of Minneapolis Medical Plan. 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.

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 is 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.

10. 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.

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

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

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

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

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:

10-26-11

Timothy O. Giles — Date
Director, Employee Services

FOR THE UNION:

10/3/11

Laura L. Spartz — Date
Labor Counsel
MFA