



**WORK SESSION
VIRTUAL MEETING HELD VIA WEBEX
JANUARY 25, 2022
5:30 PM**

Call to order

1. Discussion on modifying the Health Care Savings Plan for the Mayor and Council Members.
2. Presentation on the Richfield Newsletter
3. Presentation from Greater MSP

Adjournment

Auxiliary aids for individuals with disabilities are available upon request. Requests must be made at least 96 hours in advance to the City Clerk at 612-861-9738.



STAFF REPORT NO. 2
WORK SESSION
1/25/2022

REPORT PREPARED BY: Chris Swanson, Management Analyst

DEPARTMENT DIRECTOR REVIEW:

OTHER DEPARTMENT REVIEW: Krista Guzman, Human Resources Manager

CITY MANAGER REVIEW: Katie Rodriguez, City Manager
1/19/2022

ITEM FOR WORK SESSION:

Discussion on modifying the Health Care Savings Plan for the Mayor and Council Members.

EXECUTIVE SUMMARY:

A post-employment Health Care Savings Plan (HCSP), offered and administered by the Minnesota State Retirement System (MSRS) to eligible government employees, was established by the City Council for the Mayor and Council Members on March 28, 2006. Under the terms of the current plan, \$75 (roughly 15% of a councilmember's salary) of the member's base biweekly wage is deposited into their HCSP. Since the establishment of the plan in March 2006, the plan has been modified twice, in 2009 and 2016. A HCSP Plan terms may be changed once every two years. A copy of the most recent HCSP Plan terms is attached to this report.

A Council Member has requested that this item be brought before the Council for discussion. It has been proposed to decrease the biweekly HCSP contribution to \$25 (closer to 5% of a councilmember's salary). If a majority of the City Council wishes to make an adjustment to the contribution formula, either by adjusting the flat rate amount or allocating a percentage of biweekly salary, they may direct staff to draft a resolution for adoption at a later council meeting. Any adjustment must be approved by a majority of the City Council and participation will mandatory for all Council Members.

DIRECTION NEEDED:

Council is encouraged to discuss modifying the Health Care Savings Plan for the Mayor and Council Members, and provide direction to staff if they wish to make changes to the existing plan.

BACKGROUND INFORMATION:

A. HISTORICAL CONTEXT

Post-employment health care savings plan (HCSP) is an employer- sponsored program that allows employees to save money to pay medical expenses and/ or health insurance premiums after termination of public service. Employees are able to choose among different investment options provided by the State Board of Investment. Assets contributed into the program are tax- free, accumulate tax free, and if used for medical expenses, remain tax-free.

Legal authority to establish such plans is provided through Minn. Stat. 352. 98, and Internal Revenue

Service rulings. The establishment of each plan, including the contribution formula, must be negotiated when dealing with a collective bargaining unit, or adopted as a personnel policy when non- union employees are involved. Once established, the plan must be filed with the MSRS to initiate the program and any subsequent changes must be filed with and implemented by the MSRS.

In 2001 the Minnesota legislature granted authority to the Minnesota State Retirement System (MSRS) to offer a post-employment health care savings plan to eligible employees of the State of Minnesota and other governmental subdivisions. MSRS was authorized to administer these plans after they were adopted by governmental subdivisions throughout the state.

B. POLICIES (resolutions, ordinances, regulations, statutes, etc):

- The state statutes were amended to provide a benefit to city employees. The City of Richfield has offered this benefit with employee groups interested in these types of savings plan.
- Approval by the City Council of the attached resolution will provide the City authority to proceed with this modified program for Richfield City Council members who are not represented by a collective bargaining unit.

C. CRITICAL TIMING ISSUES:

There is no time critical timing issue on changes to this plan. After City Council approval, the modified plan must be submitted to MSRS for filing and implementation. Once the plan has been modified, no further changes can be made for two years.

D. FINANCIAL IMPACT:

- There is minimal cost to the City in this version of the plan since the City makes no direct contribution. The City will pay a small amount more to Social Security or Medicare contributions if the take home wages of the Council increases.
- The plan provides a great tax savings to the participating employees and provides a tax mechanism to fund post retirement/ post-employment medical costs.

E. LEGAL CONSIDERATION:

There is legal authority for this plan in Minnesota Statutes and IRS Code.

ALTERNATIVE(S):

The City Council could decide not to approve any plan change. If so, the current plan would remain unchanged.

PRINCIPAL PARTIES EXPECTED AT MEETING:

ATTACHMENTS:

	Description	Type
▢	Richfield City Council Employment Health Care Savings Plan (Adopted 2016)	Backup Material

Policy:	Richfield City Council Employment Health Care Savings Plan
Approved by:	Richfield City Council on January 26, 2016
Effective Date:	February 1, 2016
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Plan Purpose The Richfield City Council is interested in establishing a means for eligible Council Members to participate in a mandatory program to help defray some of the costs of post employment health related expenses, including health insurance premiums, using pre-tax dollars. Participation in the Post Employment Health Care Savings Plan, administered by the Minnesota State Retirement System (MSRS), is intended to provide an opportunity to accomplish that goal.

Post Employment Health Care Savings Plan The Post Employment Health Care Savings Plan (HCSP) is an Employer sponsored program that allows eligible employees and elected officials to defer a portion of their biweekly salary for deposit into their HCSP for the payment of qualified healthcare-related expenses after separation from City service.

Council Members will be able to choose among several different investment options provided by the Minnesota State Board of Investment. Under the Plan, amounts contributed into the HCSP are tax-free and not subject to FICA contributions. Assets in the HCSP accumulate tax-free and since payouts are used for qualifying medical expenses, they remain tax-free.

Eligibility to Participate Participation in the **Richfield City Council Members' HCSP** is mandatory for all elected officials of the Richfield City Council until the time of termination public service.

Contribution Formula Mandatory participation in the HCSP shall be in accordance with, and limited to the following formula for contribution:

I. Biweekly Contribution

1. An eligible Council Member will contribute **\$75 of their base biweekly wage** to the Council Member's account in the HCSP.

HCSP Administration The HCSP is authorized under the Internal Revenue Code and is administered by the Minnesota State Retirement System.