



CITY OF MARSHALL AGENDA ITEM REPORT

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| Meeting Date: | Tuesday, December 10, 2019 |
| Category: | CONSENT AGENDA |
| Type: | ACTION |
| Subject: | Consider the renewal of the 2020-2021 Health Care Savings Plan Memorandums of Understanding |
| Background Information: | <p>On November 14, 2019, the Personnel Committee voted to recommend approval of the Health Care Savings Plan (HCSP) Memorandums of Understanding for 2020-2021. The City has offered these plans since April of 2006.</p> <p>The Minnesota State Retirement System (MSRS) offers a post-retirement Health Care Savings Plan program to State employees and other governmental subdivisions. A HCSP is an employer sponsored program that allows employees to save money, tax-free, to use upon separation of employment to pay for eligible health care expenses. Individual employees are responsible for all associated account administrative fees. An informational brochure and Plan Document are attached for your review. Additional information can be found on the MSRS website at www.msrs.state.mn.us.</p> <p>Since April 2006, the City Council has supported and encouraged employees to participate in this plan. The current HCSP MOU's for each of the union and non-union groups will expire on 12/31/2019. The AFSCME bargaining unit, both LELS bargaining units, and the non-union group would appreciate Council consideration and approval of the revised agreements to ensure continuation of the program for employees. The proposed agreements attached reflect majority consensus among the eligible participants. Each of the agreements has also been reviewed by the Minnesota State Retirement System and found to be compliant under the rules of the program.</p> <p>Participation in the MSRS HCSP results in a significant tax savings to the City. The savings is realized through the City's FICA (Social Security and Medicare) contributions on behalf of employees; that is, the City is not required to pay FICA taxes on contributions to the plan by the employee or the employer. All contributions equate to a 7.65% savings to the City on the contributions of AFSCME and the non-union employees and a 1.45% (Medicare portion of FICA) savings to the City on the contributions of employees in the LELS unions.</p> <p>Since 2006, the City Council has approved an annual (pro-rated) employer contribution to individual accounts in the amount of \$25.00 annually, made in December into active employee accounts. Though public employers are not required to participate, it is the recommendation of staff to approve the agreements as proposed, with the \$25 contribution to incentive employees to actively participate in this benefit through payroll deductions.</p> <p>In 2018, the \$25 per account City contribution totaled \$1,928 to 80 employee accounts. (The \$1,928 isn't divisible by \$25 because the contribution by the City is pro-rated for new employees.) The City realizes a tax savings on this contribution as well. In this same year (2018), through participation in this program, the City tax savings totaled \$24,470.25.</p> |

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| Fiscal Impact: | <p>The City realizes a tax savings.</p> <p>The City realizes a tax savings of 7.65% on contributions made by AFSCME and non-union employees, and a 1.45% tax savings on the contributions of the two LELS union groups. The total tax savings to the City in 2018 was \$24,470.25.</p> <p>The Employee pays the annual administrative fee of 0.65% of the account balance, up to a maximum annual fee of \$140.</p> |
| Alternative/ Variations: | None recommended. |
| Recommendations: | That the Council approves the 2020-2021 Health Care Savings Plan Memorandums of Understanding. |