

**CITY OF MARSHALL
AGENDA ITEM REPORT**

Meeting Date:	Tuesday, November 25, 2025
Category:	CONSENT AGENDA
Type:	ACTION
Subject:	Consider renewal of the Health Care Savings Plan Memorandums of Understanding for 2026-2027
Background Information:	<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 can be found on the MSRS website at www.msrs.state.mn.us.</p> <p>Participation in the MSRS HCSP results in a tax <u>savings</u> to the City. The savings is realized through the City's FICA (Social Security and Medicare) contributions; that is, the City is not required to pay FICA taxes on employee/employer contributions to the plan. All contributions to the HCSP result in savings to the City: savings of 7.65% on the contributions of AFSCME and the non-union employees, and 1.45% (Medicare portion of FICA) savings to the City on the contributions of employees in the two LELS unions.</p> <p>Since April 2006, the City Council has supported participation in this plan. The current HCSP MOU's for each of the union and non-union groups will expire on 12/31/2025. The AFSCME bargaining unit, both LELS bargaining units, and the non-union group are requesting Council approval of the agreements to ensure continuation of the program for employees—City Council approval is required by MSRS for program continuation.</p> <p>No changes are requested to the MOU's for AFSCME, LELS-190, or LEL-245. The non-union MOU has one amendment in clause D.3., for eligible non-union employees to contribute 100% of his/her severance pay into the HCSP upon retirement or termination.</p> <p>The attached proposed agreements reflect majority consensus among the eligible participants. Each of the agreements has also been reviewed by MSRS and found to be compliant under the rules of the program.</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 incentivize employees to actively participate in this benefit through payroll deductions. In 2024, the \$25 per account annual City contribution totaled \$2,304.09 to 102 employee accounts. The City realizes a tax savings on this contribution as well as the employee contributions. (The dollar amount isn't divisible by \$25 because the contribution by the City is pro-rated for new employees.)</p>

Fiscal Impact:	<p>The City realizes a budget <u>savings</u> through participation in this program. The City is not required to pay FICA taxes on contributions to this plan, resulting in a savings.</p> <p>In 2024, the total tax savings to the City was \$21,564.34.</p> <p>There are no fees charged to the City. All fees, administrative and investment, are paid by the Employees.</p>
Alternative/ Variations:	None recommended.
Recommendations:	That the Council approves the Health Care Savings Plan Memorandums of Understanding for 2026-2027