



Memorandum

To: Mayor Nelson and Members of the City Council

From: Daniel R. Buchholtz, MMC, Administrator, Clerk/Treasurer

Date: January 20, 2022

Subject: Health Care Savings Plan contract approval

The City offers its employees the opportunity to participate in the Health Care Savings Plan (HCSP), as administered by the Minnesota State Retirement System. The HCSP is an employer-sponsored program that allows employees to invest in a *tax-free* medical savings account while employed with the City. Once an employee ends public employment, they can access the HCSP account balance for reimbursement of eligible health care expenses incurred by the employee, their spouse, legal tax dependents and adult children up to their 26th birthday. The dollars go into the plan pre-tax and, when used for eligible health care expenses, are returned to the employee tax free, on a reimbursement basis.

Each bargaining group has their own Health Care Savings Plan. In addition, the non-bargained employees and the Department Heads each have their own Plan. The employee's severance payment, when they leave employment, is deposited in the fund. In addition, the plan can require employees to contribute dollars out of each paycheck to supplement the severance.

The following groups have proposed amendments to their HCSP:

- Non-bargained employees
- Department Heads

The new HCSPs will remain in effect indefinitely, until such time it is superseded. The contribution levels can only be changed once every two years.

Staff recommends approval of the proposed HCSPs.

If you have any questions, please don't hesitate to contact me at 763-784-6491.