

Memorandum

Date: December 9, 2003

To: Policy Board Members and Alternates

From: Robert D. Miller, Director

Subject: VEBA Plan and Trust

NRP has, since it was established in 1991, obtained its employee benefits services from the City of Minneapolis. Our health benefits have been part of this package and we have been careful to maintain the separate but comparable relationship between the benefit programs of NRP and the benefit program of the City.

This year, the City Council and all of the bargaining units for City employees authorized a significant modification to the health care delivery and funding systems for employees. The modifications include establishing a Voluntary Employee Beneficiary Association (VEBA) to provide health and welfare benefits for use during periods of employment, layoff or retirement through a VEBA Plan (Plan) financed through the VEBA Trust (Trust) which holds the employer contributions that are the assets of the Plan. The VEBA Plan and Trust serve as central elements in the City's health care cost containment strategy. The VEBA is an employer paid employee benefit. For convenience and additional cost savings, a single third party administrator was selected to administer and coordinate the new VEBA accounts and the Flexible Spending Accounts (Minneflex) that were already part of the City benefit program.

Since NRP is an independent employer, the Policy Board must adopt the VEBA Plan document and enter into an independent relationship with the VEBA account administrator (Manufacturers and Traders Trust Company) to establish the Trust. The City Council Human Resources and Finance Departments will continue to handle VEBA and MinneFlex enrollment activities, but the relationship with the account administrator and establishment of the Trust must be accomplished by the end of the year in order for NRP's employees to be able to participate in this health care benefits program. The NRP contribution will be \$11,340 for its eligible employees in 2004. This amount will be paid from the benefits line in the 2004 Budget and no change or modification to that budget is being proposed.

On December 2, 2003 Human Resources, Finance, and City Attorney staff met with representatives from the selected Trust Administrator to discuss protocols and agreements. A Model Plan and Trust documents for the program were also developed. The documents are highly technical and total more than 25 pages. Drafts are being e-mailed to you, with this cover memorandum, to reduce our printing and postage costs. **Copies of the proposed agreements will not be mailed to you with your other meeting materials.** NRP's external counsel is reviewing the documents for form and

substance, on behalf of the NRP, and is working with the City Attorney's Office to address inclusion of appropriate contracting language applicable to government entities. However, there is "little to no opportunity to alter substance". What is important is that the Board authorizes an official or staff member of NRP to enter into the Plan and Trust.

Failure to enter into the agreements by the end of this calendar year will mean that NRP employees will not be able to participate in the VEBA or MinneFlex programs. As a result, I am recommending approval of the following resolution:

RESOLVED: That the Minneapolis Neighborhood Revitalization Policy Board ("Board") hereby adopts the NRP Voluntary Employee Beneficiary Association (VEBA) Plan; authorizes the NRP Director to enter into and execute the Plan and Trust documents; and further authorizes the NRP Director to execute any agreements necessary to ensure that eligible NRP employees are covered by the Voluntary Employee Beneficiary Association (VEBA) Plan and Trust, and Flexible Spending Account (Minneflex) programs of the City of Minneapolis.