

## **Memorandum**

Date: December 20, 2004

To: Policy Board Members and Alternates

From: Robert D. Miller, Director

Subject: Changes in the 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.

Last 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 was a central element 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.

As a result of Internal Revenue Service rulings and statutory changes, the City has modified its VEBA Plan and Trust Agreement so that it qualifies as a Health Reimbursement Arrangement (HRA). The HRA provides employees with the same benefits as were available under VEBA but this is a new arrangement with, of course, new documents to sign. If NRP wishes to continue to offer this type of benefit to its employees, we must adopt the City's new HRA and HRA Trust agreements.

NRP's external counsel has reviewed the trust agreement for form and substance, on behalf of the NRP, and is recommending that the Board authorize the Director to sign the attached Adoption Agreement.

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 HRA programs. As a result, I am recommending approval of the following resolution:

**RESOLVED:** That the Minneapolis Neighborhood Revitalization Program Policy Board ("Board") authorizes the NRP Director to enter into and execute the Adoption Agreement for the City of Minneapolis Health Reimbursement Arrangement Plan (the "Plan") and any agreements necessary to ensure that eligible NRP employees are covered by the Plan and Trust; and further authorizes the NRP Director to execute any agreements necessary to ensure that eligible NRP employees are covered by the Flexible Spending Account (Minneflex) programs of the City of Minneapolis.

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## MEMORANDUM

**TO:** Robert D. Miller, Executive Director

**FROM:** Michael T. Norton

**DATE:** December 17, 2004

**RE:** VEBA Amendments

The City has amended its Voluntary Employees' Beneficiary Association (VEBA) Trust Agreement and related documents. You will recall that NRP adopted the City's VEBA Plan in 2003 to provide its employees with another benefit which will assist employees in financing health care expenses. As a result of Internal Revenue Service (IRS) rulings and statutory changes, the City has modified its VEBA Plan and Trust Agreement so that it qualifies as a Health Reimbursement Arrangement ("HRA"). The HRA provides the same types of benefits available to employees under the VEBA. As a result, if the NRP wishes to continue to offer this type of benefit to its employees, then the NRP must adopt the City's new HRA and HRA Trust.

The vehicle to accomplish this objective will be for the Board to adopt the Adoption Agreement, which references the HRA and amended HRA Trust documents which are also attached for your review.

Below is a proposed Resolution for the Board to approve in order to implement the HRA and Trust:

**RESOLVED: That the Minneapolis Neighborhood Revitalization Policy Board ("Board") authorizes the NRP Executive Director to execute the Adoption Agreement for the City of Minneapolis Health Reimbursement Arrangement Plan (the "Plan") and any agreements necessary to ensure that eligible NRP employees are covered by the Plan and Trust; and**

**further, authorize the NRP Executive Director to execute any agreements necessary to ensure that eligible NRP employees are covered by the Flexible Spending Account (Minneflex) programs of the City of Minneapolis.**

If you have any questions, please feel free to contact me.