



Request for City Council Committee Action from the Departments of Finance and Human Resources

Date: November 14, 2011

To: Betsy Hodges, Chair, Ways & Means/ Budget Committee

Referral to:

Subject: Distribution of proceeds of Early Retiree Reinsurance

Recommendation: Receive and File

Previous Directives: On June 18, 2010 City Council authorized appropriate City officials to apply for reimbursement under the Early Retiree Reinsurance Program that was created under the Patient Protection and Affordable Care Act (PPACA). In addition, Council authorized that receipt of any such reimbursement be used to offset health care premium costs of the City and the medical plan participants.

On October 14, 2010 the City Council authorized the appropriate City officials to execute any agreements necessary for participation in the Early Retiree Reinsurance Program.

Department Information

Prepared by: Kevin Carpenter and Tim Giles

Approved by: _____
Kevin Carpenter
Assistance City Coordinator, Finance

Steven Bosacker
City Coordinator

Presenters in Committee: Kevin Carpenter and Joyce Traver

Financial Impact

The City has received a reimbursement in the amount of approximately \$1.49M. This RCA describes the distribution of that amount, as well as any subsequent reimbursements received.

Supporting Information

In its application for the Program, the City stated that it intended to use any reimbursements received under the program to first provide a "one-time contribution holiday" for active employees and early retirees with any remainder applied to the City's share of medical premiums. Accordingly, on the November 18th payroll, all current

employees and early retirees will receive a taxable payment equal to the monthly cost of their contribution to pay for their medical benefits. The total amount to be reimbursed to current employees is approximately \$580,000, and the total for early retirees is approximately \$300,000. The remaining amount, approximately \$610,000, will be used to offset the employer costs of providing medical benefits, split to City departments, boards and agencies on a pro-rata basis, based on their share of the overall employer cost.

A communication to all current employees on this matter is planned for this week's Minneapolis Matters, and a subsequent email to all employees is planned for November 17th or 18th. Early retirees have also received a communication.

Any subsequent reimbursements received will be "rebated" to departments on a similar basis as described above. At this time, we are aware of another reimbursement of approximately \$790,000 coming to the City. We do not know if there will be any subsequent reimbursements to those received so far.