



Request for City Council Committee Action from the Department of Human Resources

Date: October 7, 2009

To: Ways and Means / Budget Committee

Referral to: City Council

Subject: Establishment of the City of Minneapolis Transportation Benefit Plan
Amendments to the City of Minneapolis Minneflex Plan

Recommendation:

Authorize the proper City officials to adopt the City of Minneapolis Transportation Benefits Plan (the "Transportation Plan") effective January 1, 2010 and amend the City's current contract with OptumHealth Financial Service to provide claims administration service for the plan and to increase such contract by an additional \$25,000.00. The Transportation Plan will replace the pre-tax parking program approved by the City Council on May 5, 2000 and will incorporate the City of Minneapolis Voluntary Employees' Metropass Program.

Authorize the proper City officials to execute amendments to the City of Minneapolis Minneflex Plan (the "Minneflex Plan") required to:

- Clarify correction procedures related to debit card transactions
- Lower the maximum annual reimbursement a participant may receive from the Minneflex medical expense reimbursement plan from \$20,000 to \$5,000
- Adopt certain technical changes to comply with proposed IRS regulations governing the operation of cafeteria plans under Section 125 of the Internal Revenue Code

Previous Directives:

Transportation Plan Adoption of tax-free parking program effective July 1, 2000.

Adoption of the City of Minneapolis Voluntary Employees' Metropass Program effective July 1, 2004.

Minneflex Adoption of the City of Minneapolis Minneflex Plan, As Amended and Restated Effective January 1, 2007. Adoption of the First Amendment to the City of Minneapolis Minneflex Plan, effective January 1, 2008. Adoption of the Second Amendment to the City of Minneapolis Minneflex Plan, effective January 1, 2009.

Department Information

Prepared by: Joyce Traver, Benefits Manager

Approved by:

Pamela French
Director Human Resources

Steven Bosacker
City Coordinator

Presenters in Committee: Susan Trammell, Joyce Traver

Financial Impact

- No financial impact – Minneflex Plan
- Action is within the Business Plan – Transportation Plan

Supporting Information

Transportation Plan: On May 5, 2000, the City Council approved implementation of pre-tax parking program. This program allowed eligible City of Minneapolis employees who park at certain designated parking ramps – ramps that were City-owned in 2000 – to have contract parking fees deducted from pay on a pre-tax basis. The Transportation Plan will replace the current pre-tax parking program and will incorporate the City of Minneapolis Voluntary Employees' Metropass Program. The new plan will allow city employees to take full advantage of the qualified transportation fringe benefits available under Internal Revenue Code Section 132(f) including pre-tax reimbursements for:

- Metropasses
- Transportation in commuter highway vehicles (such as van pools)
- Parking expenses
- Bicycle commuting expenses

Minneflex: Effective January 1, 2009, the City Council approved amendments to the Minneflex Plan that allowed the use of the debit cards for payment of eligible expenses under Minneflex Plan medical reimbursement accounts. The amendment will clarify the correction procedures related to debit card transactions including an increase the period during which a participant must submit substantiation for certain debit card purchase from 30 to 45 days.

The current limit on maximum annual reimbursements from the Minneflex medical reimbursement account is \$20,000.00. Lowering the annual limit to \$5,000.00 will help ensure that the Minneflex Plan does not discriminate in favor of highly-compensated employees. It should also minimize the possibility of forfeiture under the plan's use it or lose it rules.

The changes required comply with proposed IRS regulations governing the operation of cafeteria plans under Section 125 of the Internal Revenue Code are technical in nature and will not impact the administration or cost of the plan.