CITY OF MINNEAPOLIS

And

INTERNATIONAL ASSOCIATION OF MACHINISTS AND AEROSPACE WORKERS, DISTRICT LODGE NO. 77, AFL-CIO (Machinists)

LETTER OF AGREEMENT
2016 and 2017 Health Care Insurance

WHEREAS, the City of Minneapolis (hereinafter "City") and the Machinists Lodge #77 (hereinafter "Union") are parties to a Collective Bargaining Agreement that is currently in force; and

WHEREAS, the Parties desire to provide quality health care at an affordable cost for the protection of employees, which requires a modification to the current Collective Bargaining Agreement as it relates to the funding of Health Care beginning January 1, 2016 and

NOW, THEREFORE BE IT RESOLVED, that the parties agree as follows for the period January 1, 2016 through December 31, 2017:

1. The City will offer a medical plan through Medica Insurance Company ("Medica"). Employees can elect to enroll in one of three provider networks. Medica Elect and Medica Essential are managed care models and Medica Choice is an open access model.

2. Medica will continue a dual medical premium system that provides incentives for wellness program participation. The monthly medical premiums for subscribers who complete the required wellness program points by August 31st of the preceding year (the "wellness premiums") will be lower than the premiums for subscribers who do not complete the required wellness program points by August 31st of the preceding year (the "standard premiums"). Any changes to the wellness program requirements are described in the *My Health Rewards by Medica* brochure which is attached hereto and incorporated herein will be agreed upon by the Benefits Sub-committee of the Citywide Labor Management Committee.

   For 2016, the "wellness premium" will also apply to all employees who are newly enrolled in the medical plan after June 1, 2015.

   For 2017, the "wellness premium" will also apply to all employees who are newly enrolled in the medical plan after June 1, 2016.

3. For the period January 1, 2016 through December 31, 2016, the City will pay $512.00 per month for employees who elect single coverage under the medical plan.

4. For the period January 1, 2016 through December 31, 2016, the City will pay $1,383.00 per month for employees who elect family coverage under the medical plan.

5. For the period January 1, 2017 through December 31, 2017, City contributions to the medical plan will increase over monthly medical plan contributions in effect for 2016 by a percentage equal to 82.5% of the overall medical premium increase percentage.

6. The City will continue the Health Reimbursement Arrangement ("the Plan") which was established January 1, 2004 to provide reimbursement of eligible health expenses for participating employees, their

spouse and other eligible dependents; and the Voluntary Employees' Beneficiary Association Trust (the "Trust") through which the Plan is funded.

7. The Plan shall be administered by the City or, at the City's discretion, a third party administrator.

8. The City shall designate a Trustee for the Trust. Such Trustee shall be authorized to hold and invest assets of the Trust and to make payments on instructions from the City or, at the City's discretion, from a third party administrator in accordance with the conditions contained in the Plan. Representatives of the City and up to three representatives selected by the Minneapolis Board of Business Agents shall constitute the VEBA Investment Committee which shall meet periodically to review the assets and investment options for the Trust.

9. The City shall pay administration fees for Plan members who are current employees and other expenses pursuant to the terms of the Plan. Plan members who have separated from service will be charged an administration fee of $3.45 per month beginning the January 1st of the calendar year following the year in which they experience a one year break in service.

10. The City will make a contribution to the Plan in the annual amount of $1,080.00 for employees who elect single coverage and $2,280.00 for employees who elect family coverage in the City of Minneapolis Medical Plan. Such City contribution shall be made in semi-monthly installments equal to one-twenty fourth (1/24) of the designated amount and shall be considered to be contract value in the designated amount.

11. The Parties agree that, except for City contributions to the Plan or other negotiated payments to a tax-qualified health savings account, incentives, discounts or special payments provided to medical plan members that are not made to reimburse the member or his/her health care provider for health care services covered under the medical plan (e.g. incentives to use health club memberships or take health risk assessments) are not benefits for the purposes of calculating aggregate value of benefits pursuant to Minn. Stat. § 471.6161, Subd. 5.

12. The unions shall continue to be involved with the selection of and negotiations with the medical plan carrier.

13. This agreement does not provide the unions with veto power over the City's decisions.

14. This agreement does not negate the City's obligation to negotiate with the unions as described by Minn. Stat. § 471.6161, Subd. 5.

15. The terms of this agreement shall be incorporated into the Collective Bargaining Agreement as appropriate without additional negotiations.

16. The Parties agree to re-negotiate the terms of this agreement in the event the City decides to implement self-insurance as the funding mechanism for the City of Minneapolis Medical Plan.

THE PARTIES have caused this Letter of Agreement to be executed by their duly authorized representative whose signature appears below:

FOR THE CITY OF MINNEAPOLIS:

8/28/15

Timothy O. Giles
Director, Employee Services

Date

FOR THE UNION:

8/20/15

John Steigauf
Business Representative, Lodge 77

Date