

Request for Committee Action

To: Committee of the Whole
Date: 8/19/2015
From: Human Resources
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File type: Action
Subcategory: Contracts & Agreements

Subject:

Health Reimbursement Arrangement (HRA)/Voluntary Employee's Beneficiary Association (VEBA) Trust Agreement amendments with U.S. Bank

Description:

Authorizing an amendment to the City of Minneapolis Amended and Restated Health Reimbursement Arrangement Trust Agreement (the "HRA/VEBA Trust") with U.S. Bank, trustee of the HRA/VEBA, to allow for investment flexibility.

Previous Actions:

Adoption of the Amended and Restated Health Reimbursement Arrangement Trust Agreement with U.S. Bank effective July 1, 2005.

Adoption of First Amendment effective Jan. 1, 2014.

Ward/Neighborhood/Address:

Not Applicable

Background/Analysis:

Since the HRA/VEBA was established in 2004, trust assets have been invested exclusively in short-term obligations of the U.S. Government and its agencies. This investment policy met the requirement of Minnesota Statutes 118A but resulted in very low investment returns. The proposed amendment will allow HRA/VEBA Trust assets to be diversified to provide a greater investment returns for HRA/VEBA participants. Investments will be restricted to the permissible investments under Minnesota Statutes 118A. Permissible investments include:

- a) U.S. government obligations, U.S. government agency obligations, and U.S. government instrumentality obligations, which have a liquid market with a readily determinable market value.
- b) Certificates of deposit and other evidences of deposit at financial institutions, bankers acceptances, and commercial paper, rated in the highest tier (e.g., A1, P1, F1 or D1 or higher) by a nationally recognized rating agency.

- c) Debt obligations of any US state or governmental entity with a maximum stated maturity of three years. General debt obligations shall be rated A or better and revenue obligations rated AA or better by a nationally recognized bond rating organization.
- d) Repurchase agreements with a defined termination date, transacted with a primary dealer, and under an executed Bond Market Master Repurchase Agreement, requiring 102% collateral as authorized by Minnesota Statutes, Section 118A.04 and this policy. The transaction must be defined as a buy -sell transaction.
- e) Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar-denominated securities.

Financial Review:

No financial impact.