

**MEMORANDUM OF UNDERSTANDING
BETWEEN
HUTCHINSON ISD # 423
AND
HUTCHINSON EDUCATION ASSOCIATION**

WHEREAS, Article XI of the Master Contract between the Hutchinson Education Association (the "Teachers") and Hutchinson Independent School District #423 (the "District") provides for Severance pay; and,

WHEREAS, the 2002 Minnesota legislature amended Minn. Stat. § 356.24 to allow districts to contribute accrued leave and severance into a supplemental retirement plan which is wholly and solely funded by such accrued leave and severance and which is organized under the Internal Revenue Code;

NOW, THEREFORE, be it resolved that the parties agree to the following:

1. Subject to the terms of the bargaining agreement, the District will contribute the employee's accrued and unpaid severance pay into a 403(b) account established by the employee exclusively for the purpose of receiving such payment (the "Severance 403(b)").

2. The amount of the severance and timing of the payments shall be determined in accordance with the collective bargaining agreement for such employee.

3. The District will only make contributions to investment vendors that have hold harmless agreements on file with them. For purposes of calculating the maximum deferral limit, the employer will provide the retiree with contribution information for the previous twelve (12) months. The employee will then submit the calculation of maximum deferral from the vendor.

4. Deposits of the severance pay shall be made on the schedule currently used, except that, in the event any such deposit would violate the applicable IRS limits, the Board may adjust the payment schedule as needed.

5. In the event the District must make payments to the Severance 403(b) in the years after retirement, it will be the responsibility of the retiree to provide verification to the District each year of the amount that may be contributed into the Severance 403(b) without exceeding the applicable IRS limits on annual additions.

6. The retiree will not make any other deposits to the Severance 403(b) until the District has paid out the entire amount of severance due.

7. In the event the full amount of severance cannot be deposited into the 403(b) due to the IRS limits, any amount remaining in the fifth year after retirement shall be paid out as taxable compensation, subject to all applicable employment taxes.

8. The union agrees that it will not bring grievances over the fact that this money was directly deposited into a 403(b) plan.

**HUTCHINSON EDUCATION
ASSOCIATION**

**HUTCHINSON INDEPENDENT SCHOOL
DISTRICT #423**

By _____

By _____