

**CITY OF HAYWARD  
and  
THE HAYWARD FIRE OFFICERS IAFF 1909**

**SIDE LETTER OF AGREEMENT**

**Voluntary Employee Beneficiary Association (VEBA) Plan**

The parties agree that the City will make available for Bargaining Unit members a Voluntary Employee Beneficiary Association (VEBA) Plan ("Plan") to enable eligible employees to accumulate funds in a tax-exempt trust from which qualified medical expenses can be paid including certain post-retirement medical expenses benefit accounts. The City will not make contributions to employee VEBA accounts.

Effective October 13, 2015, Plan requirements are as follows:

1. Eligibility Defined

Employees, whether new to the City or to the Bargaining Unit, are eligible to participate in the Plan. An eligible employee is an employee who is a member of the Bargaining Unit and is in an allocated position of twenty (20) or more hours per week and receives benefits.

Employees will have fifteen (15) calendar days from the date of eligibility to elect whether they would like to "opt-in" or "opt-out" of the Plan. Elections to "opt-in" or "opt-out" are irrevocable for the duration of the employee's tenure within the Bargaining Unit.

Participation will be subject to and governed by all IRS requirements applicable to the VEBA Plan. Bargaining Unit members who elect to "opt-in" will make uniform bi-weekly contributions and contributions upon separation as outlined in Sections 2 and 3.

If a newly eligible employee fails to make an election within fifteen (15) days from the date of Plan eligibility, it will be deemed that the newly eligible employee has elected to "opt-out."

2. Employee Contributions

Participation in the Plan by an employee who elects to "opt-in" requires a payroll deduction each pay period to fund the employee's account. The Bargaining Unit has determined that contributions to the Plan shall be the following:

<u>Years of Service</u>	<u>Contribution (per pay period)</u>
1 – 15 years	\$50
16 – 20 years	\$100
21 – 25 years	\$150
25+ years	\$200

Contributions made by an eligible employee must be made through payroll deductions. Eligible employees cannot make direct contributions to the Plan. Once separated from the City, the (former) employee can no longer make contributions to the Plan.

In accordance with the above contribution schedule, payroll deductions for all eligible employees currently participating in the Plan will commence during the pay period ending October 4, 2015 and will be reflected on the October 8, 2015 payday.

### 3. Leave Payout

Each eligible employee who "opts-in" to the Plan will be required upon service or disability retirement from the City to contribute one-hundred percent (100%) of any eligible sick leave payout after any sick leave hours have been converted to CalPERS service credit in accordance with Government Code Section 20965, one hundred percent (100%) of vacation leave payout, and one hundred percent (100%) of compensatory time off payout.

Each eligible employee who "opts-in" to the Plan will not be required to contribute any leave balance payouts to VEBA upon separation (excluding retirement) from employment with the City.

Employees who "opt-out" of the Plan will not be eligible to contribute leave payouts to the Plan upon retirement or separation. Those who have a VEBA account will continue to be eligible to submit for reimbursement for eligible medical expenses, however, they will not be able to make any further contributions to their accounts.

### 4. Participant Accounts

A separate account is maintained for each contributing eligible employee, which documents the employee's contributions and disbursements. Contributions to a VEBA account, as well as any disbursements to cover non-reimbursed post-tax medical care expenses, are both tax-free. Eligible benefits subject to reimbursement by the Plan shall be limited to long-term care expenses and non-reimbursed medical premiums, co-pays, prescribed drug expenses and other medical care costs as defined by the Internal Revenue Code Section 213.

### 5. Administrative Fees

An eligible employee's Plan account is subject to a monthly administrative fee for expenses related to recordkeeping, claims processing and claims reimbursement. The monthly administrative fee will be deducted from the eligible employee's individual account.

6. Dispute Resolution

This Side Letter and any disputes arising under or in connection with this Side Letter shall not be subject to the dispute resolution procedure contained in the Bargaining Unit's Memorandum of Understanding or in the City's Personnel Rules, nor shall this Side Letter and any such dispute relating thereto be subject to the jurisdiction of the City's Personnel Commission for any reason whatsoever.

7. Indemnification

The Bargaining Unit agrees to indemnify and hold the City of Hayward harmless against any claims made of any nature and against any suit instituted against the City arising from this Side Letter, including but not limited to claims arising from the employee's participation in VEBA or from any salary reduction initiated by the City for VEBA contributions.

8. Superseding Agreement

This Side Letter agreement supersedes all previous VEBA Side Letter agreements.

9. Amendments

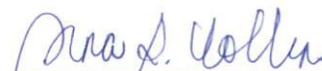
The Bargaining Unit may request to meet and confer with the City to make modifications of this Side Letter. Any request to meet and confer must be made during the open enrollment period for City sponsored health insurance programs.

**For Hayward Fire Officers IAFF LOCAL 1909**

  
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Andrew Ghali, President

**For City of Hayward**

  
\_\_\_\_\_  
Kelly McAdoo  
City Manager

  
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Nina S. Collins  
Director of Human Resources

Dated: 01/08/2017

Dated: \_\_\_\_\_