CITY OF HAYWARD
and
THE HAYWARD FIRE OFFICERS IAFF 1909

SIDE LETTER OF AGREEMENT

Voluntary Employee BeneficiaryAssociation (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 contribute to employee VEBA accounts.

Effective May 22, 2012, Plan requirements are as follows:

1. Eligibility Defined

   Effective May 22, 2012, all eligible employees, who are members of the Bargaining Unit, may 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.

   Beginning May 22, 2012, all eligible employees will have fifteen (15) days 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 monthly contributions and contributions upon separation as outlined in Sections 2 and 3.

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 in the amount of fifty dollars ($50) per pay period.

   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.

Payroll deductions for all eligible employees will commence during the pay period ending June 17, 2012 and will be reflected on the June 22, 2012 payday.

Employees who "opt-out" will not contribute to the Plan on a per pay period basis. 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.

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 comp time payout.

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

Employees who have "opted-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. New Employees or Newly Eligible Employees

Employees, whether new to the City or to the Bargaining Unit, who become eligible to participate in the Plan after May 22, 2012 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. If a newly eligible employee elects to "opt-in," payroll deductions will begin in accordance with Section 2 of this Side Letter.

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."

5. Participant Accounts

A separate account is maintained for each contributing eligible employee, which documents the employee's contributions and disbursements. Contributions to a VEBA, 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.

6. 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 fee will be deducted from the eligible employee's individual account.

7. 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.

8. 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 an employee's participation in VEBA or from any salary reduction initiated by the City for VEBA contributions.

9. Superseding Agreement

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

10. 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

Dated 5/11/12

For City of Hayward

Fran David, City Manager

Fran Robustelli, HR Director

Dated 5-23-12