



DATE: June 26, 2018

TO: Mayor and City Council

FROM: Director of Human Resources

SUBJECT: Adoption of a Resolution Approving Two Side Letter Agreements between the City of Hayward and the Hayward Firefighters, Local 1909 and the Hayward Fire Officers Association, in which the City will make Annual Contributions to the Accounts of Employees Participating in the Voluntary Employee Beneficiary Association (VEBA) Plan

RECOMMENDATION

That the City Council adopts a Resolution authorizing side letter agreements between the City of Hayward and the Hayward Firefighters, Local 1909 ("Local 1909) and the Hayward Fire Officers Association ("HFOA") to add an employer contribution to the accounts of employees currently contributing to the Voluntary Employee Beneficiary Association ("VEBA") Plan.

SUMMARY

This Resolution authorizes a side letter agreement between the City of Hayward, the Hayward Firefighters, Local 1909 ("Local 1909), and the Hayward Fire Officers Association ("HFOA") to add an employer contribution to the accounts of employees currently contributing to the Voluntary Employee Beneficiary Association ("VEBA") Plan. The agreement incorporates the recently negotiated employer contributions to employee VEBA accounts.

BACKGROUND

VEBA is an entity established as a tax-exempt trust under Section 501(c)(9) of the Internal Revenue Service (IRS) Code to provide employees with the ability to save money for health care expenses. Participants, their spouses, and eligible dependents are able to receive reimbursement for qualified medical expenses while actively employed, following separation of employment, and during retirement.

The City of Hayward contracts with California Government Voluntary Employee Beneficiary Association (CALGOVEBA) to provide a healthcare funding vehicle for employees to make tax-free contributions to a trust for accumulating funds for the reimbursement of health care costs. Employees who participate in the VEBA program realize a tax benefit because both eligible contributions and the reimbursed expenses are tax-exempt.

In 2011, the City of Hayward restructured its Plan to comply with a change in the IRS Code that required all employees within a bargaining unit to make the same contribution amount. The contribution amount is negotiated with the bargaining unit. While participation in the Plan is up to the bargaining unit, should the bargaining unit opt to participate, the bargaining unit must work with its membership to determine what the contribution levels will be.

Following restructuring of the Plan, both the Local 1909 and HFOA bargaining units opted to participate. Members of each unit are given fifteen (15) days to opt in or out of the VEBA program upon hire, or if promoting into the bargaining unit. The decision to opt in or opt out of the program is irrevocable. Members of Local 1909 and the HFOA opting into the Plan make bi-weekly contributions based on their years of service (YOS) as outlined below:

Local 1909		Fire Officers	
0 - 10 YOS	\$50	1 - 15 YOS	\$50
11 - 20 YOS	\$75	16 - 20 YOS	\$100
21 - 22 YOS	\$100	21 - 25 YOS	\$150
23 - 24 YOS	\$125	25 + YOS	\$200
25 - 26 YOS	\$150		
27 - 28 YOS	\$175		
29 + YOS	\$200		

Contributions at separation are 100% of eligible sick, vacation, and compensatory leave payouts upon retirement and there is no contribution for non-retirement separations, such as resignations or probationary releases.

DISCUSSION

The City entered into negotiations with Local 1909 and the HFOA in January 2018. The parties reached a tentative agreement on March 21, 2018 and the agreement was ratified by the bargaining units on April 15, 2018.

One of the changes to the benefits for bargaining unit members included adding a City contribution toward each employees' VEBA account. Effective January 1, 2019, the City will contribute \$600 annually (\$23.08 bi-weekly) to the VEBA account of all members. Employees who have opted out of the Plan will receive this contribution into their deferred compensation account.

FISCAL IMPACT

The additional contribution of \$600 annually per member of the Local 1909 and HFOA bargaining units will cost approximately \$69,000 per year. However, this amount has already been accounted for in the costing of the successor agreement with the bargaining units that

resulted in an overall savings of \$822,000 over five (5) years. The details of that agreement were in the April 17, 2018 staff report already approved by the City Council.

STRATEGIC INITIATIVES

This agenda item is a routine operational item and does not relate to one of the Council's Strategic Initiatives.

NEXT STEPS

Staff will finalize the side letter agreements and obtain necessary review by the City Attorney and approval by the City Manager to execute them. HR will also work with Finance to implement these changes.

Prepared by: Vanessa Lopez, Senior Human Resources Analyst

Recommended by: Nina S. Collins, Director of Human Resources

Approved by:



Kelly McAdoo, City Manager