



DATE: November 15, 2016
TO: Mayor and City Council
FROM: Director of Human Resources

SUBJECT

Adoption of a Resolution Approving an Amended Side Letter Agreement between the City of Hayward and the International Federation of Professional and Technical Engineers (“Local 21”) to Eliminate the \$125 Contribution Rate to the Voluntary Employee Beneficiary Association (“VEBA”) Plan

RECOMMENDATION

That the City Council adopts the attached resolution (Attachment II) authorizing an amended side letter agreement between the City of Hayward and Local 21 to eliminate the \$125 employee contribution rate per pay period to the VEBA plan for employees who are within two (2) years of normal retirement age.

SUMMARY

The current side letter agreement between the City of Hayward and Local 21 has a contribution category affecting employees who have elected to participate in the VEBA plan and are within two (2) years of normal retirement. Such employees must contribute \$125 per period to the plan and cannot lower their contribution level. Local 21 requested that the terms of their VEBA plan be revised to eliminate the pre-retirement contribution.

BACKGROUND/DISCUSSION

VEBA is an entity established as a tax-exempt trust under Section 501(c)(9) of the Internal Revenue Service (IRS) Code. The purpose of the VEBA program is to provide employees with the ability to plan for future health care expenses. Participants, their spouses, and eligible dependents can 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 the purpose of 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.

Enrollment in the VEBA plan is irrevocable. Contribution rates for participation in the VEBA plan are detailed in side letter agreements with each bargaining unit and voted on by its membership. In the VEBA side letter with Local 21, there is a contribution table that sets out the contribution rates each employee who opts to participate must make to the plan based on the employee's tenure with the City of Hayward. The last contribution category refers to employees within two years of normal retirement age. The contribution rate is for employees who fall in that category is \$125 per pay period.

On September 27, 2016, Local 21 communicated to the Human Resources Department the group's desire to revise the terms of its VEBA agreement, such that the last contribution category would be eliminated.

On October 27, 2016, the Local 21 membership voted on a modification to the existing VEBA plan contributions (Attachment III).

If Council approves the attached resolution, the amended agreement eliminating the \$125 contribution category will be effective the pay period starting November 28, 2016. All other contribution categories will remain unchanged.

FISCAL IMPACT

There is no fiscal impact associated with the agreement authorizing Local 21 to eliminate the \$125 per pay period contributions to the VEBA plan. The VEBA plan is funded through employee contributions to the Plan. The City does not contribute to the Plan. Costs associated with administering payroll deductions for participating employees are minimal and are not expected to change as a result of this agreement.

Prepared by: Farbod Pirouzmand, Deputy Director of Human Resources

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

Approved by:



Kelly McAdoo, City Manager