CITY OF HAYWARD
and
Unrepresented Executives, Management, City Manager, Human Resources, & City Attorney Employees

SIDE LETTER OF AGREEMENT

Voluntary Employee Beneficiary Association (VEBA) Plan

The City will make available for Unit members a Voluntary Employee Beneficiary Association (VEBA) Plan (collectively, "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.

Participating members opted into the Plan effective May 1, 2012, or upon hire. Pursuant to the terms of the VEBA agreement, changes to the Plan are made with the consensus of the majority of participants.

On February 18, 2018, participating members were surveyed to determine if the Plan's existing contributions were satisfactory; the majority of participants opted to increase current contributions per pay period and decrease contributions upon retirement from the City.

Plan requirements are as follows:

1. Eligibility Defined

   Effective May 1, 2012 or upon hire, all eligible employees, who are members of the Unrepresented Unit, may participate in the Plan. An eligible employee is an employee who is a member of the Unrepresented Unit and is in an allocated position of twenty (20) or more hours per week and receives benefits.

   Beginning May 1, 2012 or upon hire, 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. Unrepresented 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.

Effective December 10, 2018, the Unrepresented Unit's contributions to the Plan shall consist of the following and in the amounts indicated:

Employee Category	Per Pay Period Contributions
0 - 4 Years of Service	$65
5 - 9 Years of Service	$80
10 - 14 Years of Service	$95
15 - 19 Years of Service	$115
20+ Years of Service	$140

For the purposes of VEBA, years of service will be defined as years of California public service (e.g. State, County, City, Court, Special District) as certified by the employee. Certification of previous service must be received within the 15 day "opt-in" period to be eligible. Otherwise, City of Hayward years of service will be used to determine employee category.

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.

Employees who "opt-out" will not contribute to the plan on a per pay period basis. Those who previously had a VEBA account and have a balance, will continue to be eligible to submit for reimbursement of 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:

- 50% of eligible sick leave payouts; and
- 25% of the cash value of the accumulated leave balances (vacation and compensatory time) AFTER deducting 300 hours of leave payout[1] that can be paid out in cash or contributed to the employee's deferred compensation account (subject to IRS limitations).

[1] Leave Payout = Cash value of 300 hours of leave payout before taxes. Any combination of the cash value can be taken as cash payment and/or deposited into the employee's deferred compensation account so long as the sum of the elections does not exceed 300 hours of leave 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 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 with a balance will continue to be eligible to submit for reimbursement of 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 Unrepresented Unit, who become eligible to participate in the Plan after May 1, 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(A) 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 Account

   A separate account is maintained for each contributing eligible employee, which documents the employee’s contributions and disbursements. Contributions to 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 Unrepresented Unit’s Resolution 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 Unrepresented 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.

For City of Hayward

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Kelly McAdoo, City Manager

Dated _____________________