



DATE: May 16, 2023

TO: Mayor and City Council

FROM: Director of Human Resources

SUBJECT: Adoption of a Resolution Approving an Amended Agreement between the City of Hayward and the Hayward Fire Chiefs' Association ("HFCA") and Authorizing Staff to Execute the Side Letter of Agreement to Revise Vacation Leave Payout Contributions Upon Service or Disability Retirement from the City to the Voluntary Employee Beneficiary Association (VEBA) Plan

RECOMMENDATION

That the Council adopts a resolution (Attachment II) authorizing an amended side letter of agreement between the City of Hayward and the Hayward Fire Chiefs' Association ("HFCA") to revise vacation leave payout contributions upon service or disability retirement from the City to the Voluntary Employee Beneficiary Association (VEBA) Plan.

SUMMARY

The City makes available to members of the HFCA group, the VEBA Plan that enables eligible employees to accumulate funds in a tax-exempt trust for reimbursement of qualified medical expenses.

Pursuant to the terms of the HFCA VEBA agreement, changes to the plan are made with the consensus of the majority of participants. Currently, members of HFCA upon service or disability retirement from the City, are required to contribute 75% of vacation leave payout to their VEBA account. The HFCA group voted and unanimously agreed on decreasing contributions from seventy-five percent (75%) to twenty-five percent (25%) of any vacation leave payout upon service or disability retirement from the City. Participants are required 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. In addition, members will be required to contribute twenty-five percent (25%) of any vacation leave payout and fifty percent (50%) of compensatory time payout to their VEBA account.

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 can receive reimbursement for qualified medical expenses while actively employed, following separation of employment, and during retirement.

The City 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 healthcare costs. Employees who participate in the VEBA program realize a tax benefit because both eligible contributions and reimbursed expenses are tax-exempt.

In 2011, the City restructured its plan to comply with a change in the IRS code that required all employees within a bargaining unit or employee group to make the same contribution amount. However, effective May 22, 2012, HFCA member contribution amounts were negotiated within the employee group. HFCA members must make regular contributions to fund their VEBA accounts. Contributions shall be made in the form of bi-weekly payroll deductions; participants cannot make direct contributions to the plan. The bargaining unit has determined that contributions to the plan shall be:

Years of Service	Per Pay Period Contribution
1-15 years	\$50
16-20 years	\$100
21-25 years	\$150
25+ years	\$200

Upon service or disability retirement from the City, participants are currently required 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, seventy-five percent (75%) of any vacation leave payout, and fifty percent (50%) of compensatory time payout.

DISCUSSION

The HFCA group voted and unanimously agreed to decrease contributions effective October 1, 2022, from seventy-five percent (75%) to twenty-five percent (25%) of any vacation leave payout. All other contributions remain the same.

FISCAL IMPACT

There is no fiscal impact associated with the agreement authorizing HFCA members to decrease contributions from seventy five percent (75%) to twenty-five percent (25%) of any vacation

leave payout. All VEBA contributions are 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.

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 and obtain the necessary review by the City Attorney and City Manager approval to execute the agreement. HR will also work with Finance to implement these changes.

Prepared by: Marisa Guerrero, Human Resources Manager

Recommended by: Brittney Frye, Director of Human Resources

Approved by:



Kelly McAdoo, City Manager