

CITY OF HAYWARD

Hayward City Hall
777 B Street
Hayward, CA 94541
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Cover Memo

File #: CONS 15-223, **Version:** 1

DATE: October 13, 2015

TO: Mayor and City Council

FROM: Director of Human Resources

SUBJECT

Adoption of a Resolution Approving a Side Letter Agreement between the City of Hayward and the Hayward Fire Officers Association 1909 (“HFOA”) to revise Current Contributions to the Voluntary Employee Beneficiary Association (VEBA) Plan

RECOMMENDATION

That the City Council adopts the attached Resolution (Attachment I) authorizing a side letter agreement between the City of Hayward and the Hayward Fire Officers Association 1909 (“HFOA”) for an increase in current contributions to the Voluntary Employee Beneficiary Association (VEBA) Plan.

BACKGROUND AND 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 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 the existing law that stated all employees within a bargaining group must contribute equally. The amount is predetermined based on the terms of the agreement with that group. While participation in the Plan is up to the bargaining unit, should the bargaining unit opt to participate, contributions must be uniform. The bargaining unit must work with its membership to determine what the contribution levels will be.

The HFOA decided to participate in the VEBA Plan; beginning May 22, 2012, members of the HFOA were given fifteen (15) days to opt in or out of the VEBA program. The decision to opt in or opt out of the program is irrevocable. The agreement in May 2012 set bi-weekly contributions at an amount of fifty dollars (\$50). Contributions at separation are 100% of sick, vacation and compensatory leave payouts at retirement and there is no contribution for non-retirement separations.

Modifications to the contribution levels must approved by a majority vote of the bargaining unit. . On March 6, 2015, employees represented by the HFOA met and voted on a modification of the existing VEBA Plan contributions. Effective September 22, 2015, the agreement sets bi-weekly contributions at an amount ranging from \$50-\$200 based on years of service. Contributions remain unchanged at separation.

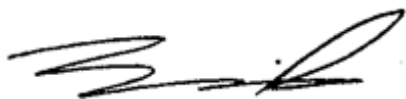
FISCAL IMPACT

There is no fiscal impact associated with the agreement authorizing the HFOA to increase contributions to the VEBA Plan. 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.

Prepared by: Vanessa Lopez, Senior Human Resources Analyst

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

Approved by:



Fran David, City Manager

Attachments:

Attachment I

Resolution Approving A Side Letter Agreement with HFOA for
Revision of Current Contributions to the VEBA Plan