

**CITY OF HAYWARD
AND
HAYWARD POLICE MANAGEMENT UNIT**

SIDE LETTER OF AGREEMENT

This Side Letter of Agreement is made between the City of Hayward (City) and the Hayward Police Management Unit ("HPMU") to amend certain provisions of the current Memorandum of Understanding effective July 1, 2007 and extended through June 30, 2015 (hereinafter referred to as the "2007-2015 MOU") between the parties regarding the payment of employee PERS contributions, employee cost sharing (PERS), a supplemental retirement benefit, employee contributions to an irrevocable medical trust, employee contributions towards health and welfare benefits, salary adjustments and holidays.

The City and the HPMU agree that the terms of this Side Letter of Agreement shall become effective at the beginning of the pay period that includes July 1, 2012 and shall remain in effect for the remainder of the term of the 2007-2015 MOU and until the parties have completed the meet and confer process for a successor provisions or successor MOU. The terms of this Side Letter shall supersede and replace all other side letter and MOU provisions on the specific topics identified below.

1. PERS Pension Benefits

Effective July 1, 2012, Section 6.12 of the 2007-2015 MOU shall be deleted in its entirety and replaced with the following language:

A. Employee PERS Contributions

The City will continue to contract with the Public Employees' Retirement System (PERS) to provide a retirement program for bargaining unit members. Benefits shall include:

1. 3% @ 50 benefit formula
2. Third Level of 1959 Survivor Benefits
3. Post-Retirement Survivor Allowance
4. One – Year Final Compensation
5. Military Service Credit as Public Service

6. Military Service Credit for Retired Persons
7. Continuation of Pre-Retirement Death Benefits After Remarriage of Survivor

These benefit plans require an employee (or member) contribution of 9% by police safety employees. Beginning with the pay period including July 1, 2013, employees shall pay four percent (4%) of the member contribution of nine percent (9%), which shall be paid by the employee on a pre-tax basis. Beginning with the pay period including July 1, 2014, employees shall pay the entire member contribution of nine percent (9%), which shall be paid by the employee on a pre-tax basis.

B. Cost Sharing of Employer Contribution

As authorized by Government Code Section 20516 (Optional Benefits, Cost Sharing), employees shall share in the employer costs of providing pension benefits through PERS. The percentage of the employer contribution that will be shared by HPMU represented employees will be equal to the percentage shared by employees represented by the Hayward Police Officers' Association ("HPOA").

For FY 2013 HPMU represented employees agree to contribute 8.45% of their salaries as payment towards the City's employer contribution for PERS pension benefits; said contribution shall be credited to each member's account as a normal contribution. This percentage is equal to the amount that HPOA represented employees have agreed to contribute towards the employer contribution for FY 2013.

For FY 2014 HPMU represented employees agree to contribute 8.62% of their salaries as payment towards the City's employer contribution for PERS pension benefits; said contribution shall be credited to each member's account as normal contribution. This percentage is equal to the amount that HPOA represented employees have agreed to contribute towards the employer contribution for FY 2013.

For FY 2015, HPMU represented employees agree to contribute the same percentage of their salaries as paid by HPOA represented employees towards the City's employer contribution for PERS pension benefits. The parties recognize that, as of the drafting of this Side Letter, the City and HPOA have not yet met and conferred as to the amount of any cost-sharing

of the employer contribution by HPOA members for FY 2015. HPMU waives its right to meet and confer with the City regarding the amount of any payments that will be made by employees towards the City's employer contribution for PERS pension benefits during FY 2015 and agrees to be bound by any agreement that is reached between the City and HPOA on such contributions.

Any contributions provided by HPMU represented employees under this provision towards the employer contribution shall be in addition to the member contributions provided under subsection A above. The City will not treat any payments made towards the employer contribution as compensation subject to income tax withholding unless the Internal Revenue Service or the Franchise Tax Board indicates that the contributions are taxable income subject to withholding. Each employee shall be solely and personally responsible for any federal, state or local tax that may arise out of the implementation of this provision or any penalty that may be imposed therefrom.

2. Benefit Plans

Sections 5.01 and 5.02 of the 2007-2015 MOU is deleted in its entirety and replaced with the following language:

5.01 Medical Insurance

The City currently contracts with Public Employees' Retirement System (PERS) for the purpose of providing medical insurance benefits for active employees, eligible retired employees and eligible survivors of retired employees. Eligibility of a dependent to participate in this program shall be in accordance with the terms of the Public Employees' Medical and Hospital Care Act (PEMHCA). Eligibility of retired employees and survivors of retired employees to participate in this program shall be in accordance with those provisions of the PEMHCA providing for participation by "annuitants."

The City's employer contribution towards medical insurance benefits for each eligible employee shall be the minimum contribution amount required by Government Code Section 22892. Contributions provided under this section are required only to the extent mandated by the PEMHCA.

For calendar year 2012, the City currently provides an employer contribution of \$112.00 per month to PERS for each eligible active employee towards the purchase of medical insurance benefits. In the event PERS requires a minimum employer contribution in excess of \$112.00 per month, the City shall pay such additional amounts as approved by the City Council. Because PERS may change carriers and plans, the City shall not be required to provide a specific insurance coverage and shall only be required to provide those benefits as described in this Section so long as the City contracts with PERS for medical insurance benefits.

The City will provide each eligible annuitant, as defined by the PEMHCA, with an employer contribution towards medical insurance benefits that is equal to the contribution provided to an active employee under this Section 5.01.

5.02 Flexible Benefits Plan

The City shall provide a contribution to the City's flexible benefits plan (125 Plan) for each full-time employee in regular or probationary status who is enrolled in one of the PERS medical insurance plans offered by the City. Employees can use this contribution to offset the cost of benefits purchased through the 125 Plan. The value of any flexible benefit allowance provided by the City under this Section shall be determined as follows:

Each year, the City will review the premiums charged by PERS for employee +2 or more level insurance coverage (family coverage) to determine the second highest cost plan. The City's contributions to the 125 Plan shall be based on the premium charged by the second highest cost plan and shall be equal to the premium for the level of insurance coverage selected by the employee, less the City's contribution pursuant to Section 5.01 above and any reductions provided for in this Section 5.02. If an employee elects to participate in a plan that charges a premium that is less than the premium for the second highest cost plan, then the City's contribution to the 125 Plan on behalf of that employee shall be equal to the premium charged by that plan, less the City's contribution pursuant to Section 5.01 above and any reductions provided for in this Section 5.02.

Beginning July 1, 2012 and through June 30, 2013, the City's contribution to employee flexible benefit accounts shall be reduced by an amount equal to \$1,087.84 per month (or an annual total of \$13,054). Employees participating in City sponsored health insurance plans shall be required to pay the

difference between the premium cost for the employee selected plan and any employer contributions made under Section 5.01 and this Section 5.02. Employee contributions shall be paid in the form of payroll deductions to be paid in equal installments. Deductions for medical plan premiums are generally taken twice per month (for a total of 24 annual deductions).

Beginning July 1, 2013 through June 30, 2014, the City's contribution to employee flexible benefit accounts shall be reduced by an amount equal to \$830.16 per month (or an annual total of \$9,962.) Employees participating in City sponsored health insurance plans shall be required to pay the difference between the premium cost for the employee selected plan and any employer contributions made under Section 5.01 and this Section 5.02. Employee contributions shall be paid in the form of payroll deductions to be paid in equal installments. Deductions for medical plan premiums are generally taken twice per month (for a total of 24 annual deductions).

If an incumbent employee makes any changes to his/her health insurance enrollment during either FY 2013 or FY 2014, then the amount of any reduction to City contributions to the 125 Plan shall be prorated to reflect the savings targets identified during the negotiations for this Side Letter of Agreement. The above employee medical plan premium contributions are based on participation by the incumbent employees in family level coverage.

If during FY 2013 or FY 2014, an individual is newly appointed, either in a probationary or regular status, to a position represented by HPMU, then the amount of any reduction to City contributions to the 125 Plan on behalf of the newly appointed employee shall be prorated to reflect: (1) the number of pay periods remaining in the fiscal year in which the employee is appointed; and (2) the employee's selected insurance coverage level if it is something other than family level coverage.

Beginning July 1, 2014, any reduction in the City's contribution to the 125 Plan shall be as the same percentage and/or flat dollar amount that is contributed by HPOA members.

Contributions to an employee's flexible benefits account shall be used only for payment of those benefits that are available through the 125 Plan. Each employee shall file an election in writing during the month of open enrollment for medical insurance each year designating how the contributions in his or her flexible benefits account are to be spent during the ensuing year.

Thereafter, no changes to designations so made shall be allowed until the enrollment of the following year, except for changes due to an eligible qualifying event.

Each employee shall be responsible for providing immediate written notice to the Human Resources Director or designee any change to the number of his or her dependents which would affect the amount of the City's payment to the flexible benefits account. An employee who, by reason of failing to report a change in dependents, receives a City payment greater than the amount to which he or she is entitled, shall be liable for refunding the excess amount received via a reduction in the amount paid to employee's flexible benefit account in subsequent months. Changes to flexible benefit contributions associated with changes in an employee's number of dependents shall take effect at the start of the first pay period in the month following the month in which notice of the change is received by the Human Resources Department. No retroactive increases to the flexible benefit allowance provided by the City shall be allowed.

3. Supplemental Retirement Benefits

The following Section 5.10 is added to the 2007-2015 MOU:

5.10 Supplemental Retirement Benefit

The City will provide eligible employees who retire from the City (either due to a disability retirement or a service retirement) with a supplemental retirement benefit as provided in this Section.

Employees who are appointed to an HPMU represented position before June 12, 2012 and who retire from the City will receive a supplemental retirement benefit that that is equal to the Kaiser North single party premium rate, less the amount of any annuitant contribution provided under Section 5.01 above.

Employees who are appointed to an HPMU represented position on or after June 12, 2012 and who retire from the City will receive a supplemental retirement benefit equal to the premium for the individual's participation in a plan provided by PERS as an annuitant, less the amount of any annuitant contribution provided under Section 5.01 above, up to a maximum benefit of \$508.30 per month.

The supplemental benefits provided under this section are paid in the form of cash to the retiree on a monthly basis. In order to receive a benefit under this provision, an employee must: (1) directly retire from active employment with the City; (2) have worked a minimum of ten (10) years with the City before directly retirement; and (3) begin receiving pension benefits from CalPERS within one-hundred and twenty (120) days of leaving City employment. Retirees are solely responsible for any tax consequences associated with the receipt of benefits under this Section.

Beginning with the pay period that includes July 1, 2014, all bargaining unit members shall contribute on a post-tax basis, one percent (1%) of their base salary to an irrevocable trust to fund the supplemental benefits provided under this Section.

4. Holidays and Holiday Pay

Effective July 1, 2012, Section 4 of the Side Letter of Agreement between the City and HPMU, dated June 13, 2011, regarding holidays is deleted. The parties agree that the half day holiday on Christmas Eve and the half-day holiday provided on New Year's Eve under Section 7.01 of the 2007-2015 MOU shall remain in effect.

Section 7.04 "Payment for Holidays Worked" of the 2007 -2015 MOU is deleted in its entirety and replaced with the following language and terms:

Employees assigned to this unit shall receive 6.73% additional compensation per pay period, calculated on their base pay only, in lieu of being allowed to take paid time off or accrue paid time off for a City holiday.

An employee who works on a designated City holiday as part of the employee's regular work schedule will not receive any additional compensation based solely on the day's designation as a City recognized holiday.

Employees who wish to take a holiday off will be required to use accrued vacation.

5. Salary Administration Policy

For FY 2013, FY 2014 and FY 2015, the parties agree to amend MOU Section 6.01 (Salary Administration Policy) by adding the following language:

HPMU bargaining unit members agree to relinquish permanently any salary adjustments they are entitled to receive pursuant to the current MOU for FY 2013, FY 2014 and FY 2015.

Notwithstanding such relinquishment, the City agrees to maintain the fifteen percent salary (15%) differential between the base salary of police captains and the base salary of police lieutenants.

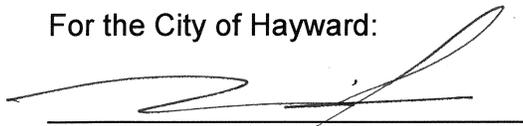
6. Economic Reopener

The parties acknowledge that certain provisions of this Side Letter link the compensation and benefits provided to HPMU represented employees to the compensation and benefits that will be provided to HPOA represented employees. The parties also acknowledge the City has identified a savings target equal to a minimum 17% reduction in employee costs in the HPMU unit for Fiscal Year 2015. If during Fiscal Year 2015, the linked provisions of this Side Letter do not result in the identified 17% reduction in employee costs in the HPMU bargaining unit, then the City and HPMU agree to reopen negotiations on all economic issues including but not limited to wages, health benefits and retirement.

Re-opener negotiations shall commence on December 1, 2013.

Executed on this 14TH day of JUNE, 2012, at Hayward, California

For the City of Hayward:



Frances David
City Manager

For the Hayward Police Management Unit:



Darryl McAllister
Hayward Police Management Unit