

**CITY OF HAYWARD  
and  
INTERNATIONAL ASSOCIATION OF FIREFIGHTERS-LOCAL 1909**

**SIDE LETTER OF AGREEMENT**

**Voluntary Employee Beneficiary Association (VEBA) Plan**

The parties agree that the City will make available for members of the International Association of Firefighters-Local 1909 ("Bargaining Unit"), 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 and benefit accounts. The City will not make contributions to employee VEBA accounts. The City will make payroll deductions into employee VEBA accounts in accordance with Section 2 of this Side Letter.

Effective June 26, 2013, Plan requirements are as follows:

1. Eligibility Defined

Effective June 26, 2013, all employees, who are members of the Bargaining Unit, are eligible to participate in the Plan.

Beginning June 26, 2013, all 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. Bargaining unit members who elect to "opt-in" will make uniform bi-weekly 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 bi-weekly pay period to fund the employee's account. The Bargaining Unit has determined that contributions to the Plan shall be per pay period as follows:

Years of Service	Amount Deducted
0-10	\$50
11-20	\$75
21-22	\$100
23-24	\$125
25-26	\$150
27-28	\$175
29+	\$200

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.

Payroll deductions for all eligible employees who “opt-in” to the Plan will commence during the pay period ending July 28, 2013 and will be reflected on the August 2, 2013 payday.

Employees who “opt-out” will not contribute to the Plan. Those who have a VEBA account will continue to be eligible to submit for reimbursement for 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 one-hundred percent (100%) of eligible sick leave, vacation and compensatory leave payouts.

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 an existing VEBA account will continue to be eligible to submit for reimbursement for 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 Bargaining Unit, who become eligible to participate in the Plan after June 26, 2013 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,” the City will make payroll deductions into employee VEBA accounts in accordance with Section 2 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 a VEBA account, 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 monthly administrative 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 Bargaining Unit's Memorandum of Understanding 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. IAFF Local 1909 Disclaimer

The Bargaining Unit would like to notify its employees that it has made no determination, and makes no representation by becoming a party to this agreement, as to whether the Plan satisfies the requirements of Internal Revenue Service Code section 501(c)(9) or other provisions of the Internal Revenue Service Code for an exemption from federal income taxes of contributions to and disbursements from the Plan. The City agrees that it shall provide Bargaining Unit employees with a copy of the "IAFF Local 1909 Disclaimer", which was drafted by the Bargaining Unit and is attached hereto, at the time they are notified of their eligibility to "opt-in" or "opt-out" of the Plan.

9. Indemnification

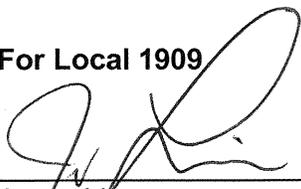
The Bargaining Unit agrees to indemnify and hold the City of Hayward harmless against any claims made of any nature and against any suit initiated against the City arising from this Side Letter, including but not limited to claims arising from the employee's participation in VEBA or from any salary

reduction initiated by the City for VEBA contributions. Provided, however, that Local 1909 shall not be required to indemnify and hold the City harmless for any payments to the federal and state governments that the City would have paid as employer payroll taxes but did not do so because it was operating under the assumption that contributions to the plan are tax-free.

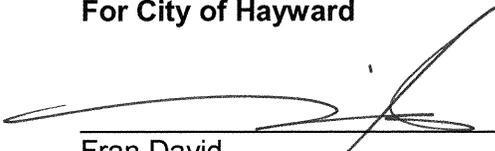
10. Superseding Agreement

This Side Letter agreement supersedes all previous VEBA Side Letter agreements.

**For Local 1909**

  
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Jason Livermore  
President

**For City of Hayward**

  
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Fran David  
City Manager  
\_\_\_\_\_  
Frances Robustelli  
Director of Human Resources

Dated: 6-20-13

Dated: 6/20/13

## IAFF LOCAL 1909 DISCLAIMER

### California Government Voluntary Employee Beneficiary Association Master Trust

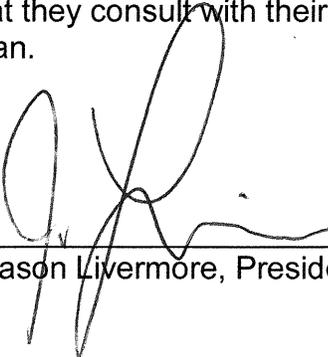
#### Notice to Hayward Fire Department Employees Represented by IAFF Local 1909:

Local 1909 and the City of Hayward have entered into an agreement under which members of the Hayward Fire Department represented by Local 1909 may participate in a Voluntary Employee Beneficiary Association (VEBA) Plan administered by the California Government Voluntary Employee Beneficiary Association Master Trust.

A payroll deduction will be made each bi-weekly pay period from the paycheck of each bargaining unit member who elects to "opt-in" to the Plan. These payroll deductions will fund the employee's individual VEBA account. The Administrator of the Plan represents that these contributions to the employee's individual VEBA account, as well as any disbursements from the employee's individual VEBA account to cover eligible benefits, are both tax-free. Eligible benefits subject to reimbursement by the Plan are limited to long-term care expenses and non-reimbursed medical premiums, co-pays, prescribed drug expenses and other medical care costs as defined by Section 213 of the Internal Revenue Code.

Local 1909 does not administer or supervise the Plan. Local 1909 has made no determination and by agreeing that employees represented by Local 1909 may participate in the Plan does not make any representation as to whether the Plan satisfies the requirements of Internal Revenue Service Code section 501(c)(9) or other provisions of the Internal Revenue Service Code for an exemption from federal income taxes of contributions to and disbursements from the Plan. Local 1909 recommends to employees represented by Local 1909 that they consult with their tax advisors before making an election to participate in the Plan.

Dated: 6-20-13

  
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Jason Livermore, President, IAFF Local 1909