

SIDE LETTER AGREEMENT

BETWEEN

THE CITY OF SANTA CLARA

AND

UNCLASSIFIED MISCAELANOUS MANAGEMENT EMPLOYEES (UNIT 9)

AMENDMENT TO DECEMBER 15, 2019 – DECEMBER 31, 2024 MEMORANDUM OF UNDERSTANDING (MOU)

The City and the Miscellaneous Unclassified Management Employees (hereafter, "Unit 9") agree to amend the current Memorandum of Understanding (hereafter, "MOU"), with a term of December 15, 2019 - December 31, 2024, as follows:

(A) Health Insurance

7. HEALTH INSURANCE PREMIUMS

~~A. For employees who enroll in a City offered health plan and whose benefits exceed the total of the City's Health Flex Contribution, Additional Health Flex Contribution, and/or Regular Flex Contribution applicable to the employee and as described below, the balance of the benefits shall be paid by a salary deduction from the pay of the individual employee.~~

The City currently contracts with the California Public Employees' Retirement System (CalPERS) for the purpose of providing medical insurance benefits for active employees and their eligible dependents, 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.

Because CalPERS 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 for benefits with CalPERS for medical insurance benefits.

Pursuant to the PEMHCA, 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 PEMHCA minimum contribution provided to an active employee under this Section.

B. Definitions. For purposes of this section:

1) "Full-time employee" refers to an employee whose regular schedule is at least 30 hours per week.

2) "Full-time position" refers to a position in a classification, whether vacant or not vacant, whose regular schedule is at least 30 hours per week.

B. Health Flex Contribution

~~1) The City offers full-time employees a Health Flex Contribution to put toward the payment of a City-offered health plan. The City shall modify the Health Flex Contribution each calendar year using the Rate of Pay Safe Harbor (based on the lowest base pay of any fulltime position covered by this MOU) to ensure the City's offered coverage is "affordable." The City contributes the statutorily required minimum contribution under the Public Employees Medical and Hospital Care Act (PEMHCA) as determined by CalPERS in each calendar year. It is understood and agreed that the Health Flex Contribution described in this paragraph shall be equal to or exceed the City's statutorily required minimum PEMHCA contribution.¹~~

~~2) Employees may not receive all or any portion of the Health Flex Contribution as cash or any other taxable benefit, and must apply the Health Flex Contribution to City-offered health benefits. Employees who do not enroll in City-offered health benefits will not receive any of the Health Flex Contributions.~~

C. Additional Health Flex Contribution

~~1) Full-time employees who enroll in a City health plan for which the premium amount is more than \$946.86/month shall receive an Additional Health Flex Contribution in the amounts described in this section.~~

~~2) Employees may not receive all or any portion of the Additional Health Flex Contribution as cash or any other taxable benefit, and must apply the Additional Health Flex Contribution to City-offered health benefits. Employees who do not enroll in City-offered health benefits will not receive any of the Additional Health Flex Contributions.~~

~~3) Effective January 1, 2020, full-time employees who enroll in a City health plan for which the premium amount is more than \$946.86/month shall receive an Additional Health Flex Contribution. The Additional Health Flex Contribution, when added to the Health Flex Contribution described in the prior section and the Regular Flex Contribution described herein, shall not exceed \$200 per month over the Kaiser employee only premium amount for the applicable year.²~~

¹As an example, for 2020, the PEMHCA minimum is approximately \$139/month and the Health Flex Contribution is \$139.00/month, which includes the PEMHCA minimum of \$139/month.

4) ~~Effective January 1, 2023, full-time employees:~~

~~(a) Who enroll in a City health plan for Employee Only coverage for which the premium amount is more than \$946.86/month shall receive an Additional Health Flex Contribution to be put towards the premium amount. The City will provide an Additional Health Flex Contribution amount that, when added to the Health Flex Contribution described above and the Regular Flex Contribution described herein, shall not exceed \$200 per month over the Kaiser employee only premium amount for the applicable year.~~

~~(b) Who enroll in a City health plan for Employee Plus One coverage or Employee Plus Family coverage for which the premium amount is more than \$946.86/month shall receive an Additional Health Flex Contribution to be put towards the premium amount. The Additional Health Flex Contribution, when added to the Health Flex Contribution described above and the Regular Flex Contribution described herein, shall not exceed an amount equal to 100% of the Kaiser Employee Plus One rate for the applicable year.~~

~~D. Regular Flex Contribution~~

~~1) The City will provide full-time employees a Regular Flex Contribution equal to \$946.86 less the Health Flex Contribution. ² Employees may use the Regular Flex Contribution to pay for health benefits offered under the City's Section 125 plan or may opt to receive any or all of the Regular Flex Contribution as taxable cash. An employee will receive a Regular Flex Contribution whether or not he/she enrolls in City-offered health benefits and notwithstanding the provisions of Section 7.E. below.~~

~~2) Employees hired or rehired on or after January 1, 2023, who choose not to enroll in a City health plan are not eligible for a Regular Flex Contribution.~~

~~²As an example, for 2020, the Additional Health Flex Contribution is approximately \$23.70/month to these individuals since \$200 over the Kaiser employee only premium amount in 2020 is approximately \$970.56/month.~~

C. Health Insurance Contributions

1) Effective January 1, 2025, the City shall make a monthly contribution to the City's flexible benefit plan which, taken together with the mandatory PEMHCA contribution, equals one hundred percent (100%) of the premium for the lowest priced Kaiser (Region 1) plan for unit members enrolled at the employee and employee plus one levels; and ninety percent (90%) of the premium for the lowest priced Kaiser (Region 1) plan for unit members enrolled at the employee plus two or more level. If the employee enrolls in a plan whose premium exceeds the City contribution, the employee shall pay the difference between the total cost of the selected plan and the City's contribution via salary deduction. In no event shall the City's contributions pursuant to the provisions of this Section, and any statutorily required minimum contribution under the PEMHCA as determined by CalPERS in each calendar year, exceed one hundred percent (100%) of the premium cost of the lowest price Kaiser (Region 1) plan at the employee and employee plus one level, or ninety percent (90%) of the premium for the lowest priced Kaiser (Region 1) plan at the employee plus two or more level, in which the employee is enrolled.

There shall be no option to receive all or any portion of the City's Contribution as cash or any other taxable benefit.

ED. Cash In Lieu

- 1) Full-time employees hired before January 1, 2023, who choose not to enroll in a City health plan for a plan year, and meet the requirements set forth below shall receive a Cash in Lieu amount per month for that plan year equal to \$946.86 ~~minus the Regular Flex Contribution as calculated each calendar year.~~ ⁴ A full-time employee hired before January 1, 2023, who enrolls in coverage for a plan year, shall be treated in accordance with Sections 7.A-D and will not receive Cash in Lieu for that plan year.
- 2) Full-time employees hired or rehired on or after January 1, 2023, who choose not to enroll in a City health plan for a plan year, and meet the requirements set forth below, shall receive a Cash in Lieu amount for that plan year equal to \$250/month. A full-time employee hired on or after January 1, 2023, who enrolls in coverage for a plan year, shall be treated in accordance with Sections 7.A-D and will not receive Cash in Lieu for that plan year.
- 3) For employees whose regular work schedules are 30 or more hours per week but less than 40 hours per week, the Cash in Lieu amount shall be prorated as described in Section 7.F below.
- 4) Requirements: In order to receive Cash in Lieu of health coverage, an employee must sign a form attesting that the employee and the employee's Tax Family have the Alternative Required Coverage for the Opt Out Period.
 - (a) Tax Family means all individuals for whom the employee intends to claim a personal exemption deduction for the taxable year or years that begin or end in or with the City's plan year to which the opt out applies.
 - (b) Alternative Required Coverage required means minimum essential coverage through another source (other than coverage in the individual market, whether or not obtained through Covered California).

- (c) Opt Out Period means the plan year to which the opt out arrangement applies.
- (d) An employee must provide the attestation every plan year and proof of Alternative Required Coverage every plan year at open enrollment or within 30 days after the start of the plan year for each plan year the employee would like to receive Cash in Lieu.
- (e) The Cash in Lieu payment cannot be made and the City will not in fact make payment if the City knows or has reason to know that the employee or a Tax Family member does not have such ~~alternative~~ Alternative Required coverageCoverage, or if the conditions in this paragraph are not otherwise satisfied.
- (f) An employee who opts out of City-offered health benefits, but cannot provide the attestation, will not receive the Cash in Lieu contribution described in this subsection.

EF. Flexible Spending Account (IRS Section 125 Plan)

The City has established a Flexible Spending Account benefit (IRS Section 125 Plan) for employees, which provides accounts in which employees may contribute pre-tax dollars for dependent care and un-reimbursed medical expenses.

This Plan will follow the regulations outlined by the Internal Revenue Service. Detailed information will be available in the Summary Plan Document. This Plan is voluntary and participating employees will make pre-tax salary reduction elections to fund the plan.

FG. Proration of Benefits:

For employees who may be eligible for benefits but work less than 40 hours per week, benefits shall be prorated based on the employee's full-time equivalent (FTE) level.

Effective January 1, 2025, the Health Flex Contribution and Regular Flex Contribution shall no longer be in effect.

~~3. As an example, for 2020, the Regular Flex Contribution for employees who are regularly scheduled to work 40 hours per week is approximately \$807.86/month.~~

~~4. As an example, for 2020, the Cash in Lieu amount is approximately \$139.00/month for employees who are regularly scheduled to work 40 hours per week.~~

