

LETTER OF UNDERSTANDING
between the
ANAHEIM MUNICIPAL EMPLOYEES ASSOCIATION, CLERICAL EMPLOYEES
and the
CITY OF ANAHEIM

The Anaheim Municipal Employees Association (AMEA), Clerical Employees, and the City of Anaheim (ANAHEIM) after meeting and conferring have agreed to amend certain sections of the Memorandum of Understanding that is in effect from July 1, 2005 through January 8, 2009.

Article 52 of the Memorandum of Understanding is hereby amended as follows:

ARTICLE 52
POST RETIREMENT MEDICAL BENEFITS

52.1 Retired employees who are receiving a post-retirement medical benefit from ANAHEIM on the date the City Council approves this Memorandum of Understanding shall continue to receive such benefit in accordance with the provisions of the Memorandum of Understanding between ANAHEIM and AMEA that was in effect at the time of their retirement.

52.2 Regular, full-time employees in the classified service in classifications listed in Appendix "A", who are enrolled as subscriber in an ANAHEIM sponsored health plan at the time of separation from ANAHEIM service shall be eligible to participate in any ANAHEIM sponsored health plan (medical and dental) as a retiree subject to the following terms and conditions:

52.2.1 The employee must be credited with at least ten (10) years of continuous, full time ANAHEIM service on the date of retirement, and

52.2.2 The employee must have been awarded a retirement from the Public Employees' Retirement System ("PERS") as the reason for separation from ANAHEIM service, and

52.2.3 PERS retirement benefits must commence no later than the first day of the month following the date of separation from ANAHEIM service, OR

52.2.4 The employee must have been awarded a disability retirement (Ordinary or Industrial) from PERS as the reason for separation from ANAHEIM service.

52.2.5 ANAHEIM shall provide separate contributions towards the premium costs of the ANAHEIM sponsored medical and/or dental plans elected by the employee according to the following schedule:

52.2.5.1 For Service Retirements, the contributions shall be a percentage of the annual contributions made by ANAHEIM on behalf of

active employees, the percentage equal to one and one-half (1.5) times the miscellaneous 2% at 60 PERS retirement schedule to a maximum contribution of 95% based on the employee's age and consecutive years of Anaheim service at the time of retirement. ANAHEIM service and the retiree's age shall be calculated to the nearest complete one-quarter year.

52.2.5.2 For Disability Retirements, the contribution shall be a percentage of the annual contributions made by ANAHEIM on behalf of active employees, the percentage equal to 2% for each year of service to a maximum contribution of 95% based on the employee's consecutive years of Anaheim service shall be calculated to the nearest complete one quarter year.

52.2.5.3 In the event an employee is eligible for both a Service and a Disability Retirement benefit under this ARTICLE, the employee shall receive the Service Retirement benefit.

52.2.5.4 The ANAHEIM contribution shall be based on the Two party or Family rate only for those employees who properly enroll a dependent spouse and/or other family members prior to retirement, and shall continue only as long as the retiree maintains coverage for such dependents in ANAHEIM sponsored health plans. Nothing in this ARTICLE shall prevent a retiree from properly enrolling new dependents at the retiree's cost.

52.2.5.5 The full value of any Medicare credits provided to ANAHEIM or Medicare surcharges imposed on ANAHEIM by virtue of a retiree's participation or non-participation in Medicare shall be passed on to the retiree in the form of reduced or increased premium costs.

52.2.5.6 The surviving spouse or registered domestic partner of the retiree may continue coverage under the same terms and conditions provided that the surviving spouse was properly enrolled at the time of the employee's retirement and that dependent coverage was continuously maintained during the employee's retirement.

52.2.6 Employees who retire on or after January 1, 2006 shall be credited with ANAHEIM service accrued through December 31, 2005 for the purpose of determining eligibility and benefit levels under the provisions of Section 52.2 above. No employee who has less than ten (10) complete years of credited ANAHEIM service as of December 31, 2005 shall be provided benefits under Section 52.2 above.

52.2.7 The following provisions shall apply to employees who retire on or after January 1, 2006 and who are receiving post-retirement medical benefits under the provisions of Section 52.2:

52.2.7.1 Only ANAHEIM service accrued through December 31, 2005 shall be credited to the employee in determining ANAHEIM's percentage contribution towards the premium costs of the plan(s) elected by the retiree.

52.2.7.2 Retirees shall be required to enroll in MediCare parts A and B upon establishing eligibility. Failure to enroll when eligible will result in cancellation of coverage.

~~52.2.7.3 Under no circumstances shall the City contribute towards the costs of any dependents, except a spouse or registered domestic partner who was properly enrolled at the time of the employee's retirement.~~

52.2.8 The following conditions shall apply to all retirees who have post retirement medical benefit coverage under this Section:

52.2.8.1 Once canceled for any reason, coverage shall not be reinstated.

52.2.8.2 Coverage shall be canceled for non-payment of fees after three months in arrears.

52.2.8.3 There shall be Coordination of Benefits where other insurance exists.

52.2.8.4 Retirees may change plans and add dependents only during the annual open enrollment period, except that the surviving spouse or registered domestic partner of a retiree may not enroll a new spouse or registered domestic partner.

52.3 Regular, full-time employees in the classified service in classifications listed in Appendix "A", hired on or after January 1, 1996 shall participate in an Integral Part Trust ("RHS plan") designed to provide reimbursement of qualified medical expenses upon retirement or separation from City service. "Qualified medical expenses" are those expenses authorized under the provisions of Internal Revenue Code Section 213, excepting only those expenses the parties mutually agree to exclude.

52.3.1 When an employee is hired into a classification represented by the AMEA, ANAHEIM shall make an initial employer contribution of three thousand dollars (\$3,000) into the employee's Retirement Health Savings ("RHS") account.

52.3.2 On December 26, 2008, and annually thereafter, the City shall make a contribution to the individual account of each employee in classification represented by the AMEA who has an established RHS account. The contribution shall be equal to one percent (1.0%) of the average annual base compensation of all full time employees in the miscellaneous service, excepting employees in classifications represented by the IBEW. The

average annual base compensation shall be calculated by annualizing the includable biweekly payroll for the pay period that includes the first of December each year, and dividing by the number of includable employees.

52.3.3 Employees shall be fully vested for all ANAHEIM contributions made on their behalf including contributions made pursuant to Section 52.6 below, after five (5) full years of continuous ANAHEIM service.

52.3.4 Except as modified by Section 52.4 below, ANAHEIM and AMEA agree that, effective January 13, 2006, each eligible employee shall be required to contribute three percent (3.0%) of his/her gross biweekly pay to his/her individual RHS Account.

52.3.5 Employees shall be given an opportunity each year to elect to contribute (in increments of ½ hour) sick leave hours to be earned prospectively in the upcoming calendar year. Employees shall be required to accrue a minimum of one (1) hour of earned Sick Leave time per pay period. The remaining balance earned per pay period shall be available for deferral to the individual employee's RHS Account as designated by the employee. Such deferrals shall be converted to cash at the employee's regular hourly rate of pay, and deposited to the employee's individual RHS Account as they are earned. Contributions under the provisions of this paragraph shall be designated as pre-tax contributions.

52.3.6 Employees shall be given an opportunity each year to elect to contribute (in increments of ½ hour) vacation leave hours to be earned prospectively in the upcoming calendar year. Employees shall be required to accrue a minimum of three (3) hours of earned Vacation Leave time per pay period. The remaining balance earned per pay period shall be available for deferral to the individual employee's RHS Account as designated by the employee. Such deferrals shall be converted to cash at the employee's regular hourly rate of pay, and deposited to the employee's individual RHS Account as they are earned. Contributions under the provisions of this paragraph shall be designated as pre-tax contributions.

52.3.7 Any employee who separates City service for any reason will be eligible to withdraw funds for reimbursement of eligible medical expenses without regard to the employee's age or years of service. Employee premium contributions for employer-provided group health insurance provided by other employers are not an eligible medical expense.

52.3.8 Employees hired on or after January 1, 1996 who have completed ten (10) years of consecutive ANAHEIM service, and who are awarded a retirement from PERS as the reason for separation from ANAHEIM service shall be allowed access to ANAHEIM sponsored group health plans as a retiree.

52.4 Employees hired on or after January 1, 1996 and before January 1, 2002 shall make an employee contribution to their individual RHS Account according to the following schedule:

52.4.1 Effective January 13, 2006, such employees shall contribute one percent (1.0%) of his/her gross biweekly pay to his/her individual RHS Account.

52.4.2 Effective January 12, 2007, such employees shall contribute two percent (2.0%) of his/her gross biweekly pay to his/her individual RHS Account.

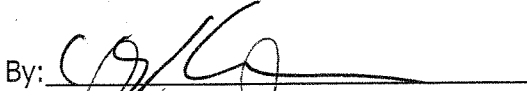
52.4.3 Effective February 8, 2008, such employees shall contribute three percent (3.0%) of his/her gross biweekly pay to his/her individual RHS Account.

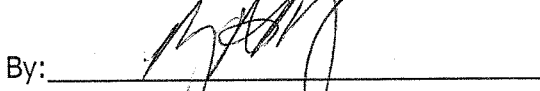
52.5 Employees hired prior to January 1, 1996 may elect to participate in a voluntary Retirement Health Savings plan. An election to participate shall be irrevocable. All provisions of Section 52.3 of this Article shall apply to the voluntary plan, except that employees shall be required to contribute one percent (1.0%) of their gross biweekly pay to their individual RHS Account.

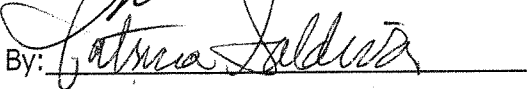
52.6 In addition to the employer obligations outlined in Section 52.3 above, ANAHEIM shall make a one time employer contribution to the RHS Account of each employee in a classification in Appendix "A" who was hired on or after January 1, 1996 and prior to January 1, 2002 and who is an active employee on January 13, 2006. The contributions required by this Section shall be deposited to each eligible employee's account no later than January 20, 2006. The contribution shall be seventy dollars (\$70.00) for each complete month of full time service calculated from the employee's date of hire to December 31, 2005; except that under no circumstances shall the contribution be less than three thousand dollars (\$3,000.00).

STAFF OFFICIALS of the CITY OF ANAHEIM, a Municipal Corporation

ANAHEIM MUNICIPAL EMPLOYEES ASSOCIATION, Clerical Employees

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Dated: 5/22/06

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