

LETTER OF UNDERSTANDING
between the
ANAHEIM MUNICIPAL EMPLOYEES ASSOCIATION, General & Clerical Units
and the
CITY OF ANAHEIM

The Anaheim Municipal Employees Association, General and Clerical Units (AMEA), and the City of Anaheim (ANAHEIM) have met and conferred and have reached an agreement concerning a defined contribution Post-Retirement Medical Plan (Retirement Health Savings Account, or "RHSA") for employees hired prior to January 1, 2002. The PARTIES have reached an understanding, as follows:

1. AMEA and ANAHEIM agree that for employees hired on or after January 1, 2002, an Integral Part Trust ("Plan") for reimbursement of qualified medical expenses shall be established. AMEA and ANAHEIM agree that the City of Anaheim Deferred Compensation Committee members shall serve as trustees on behalf of participating employees. AMEA and ANAHEIM further agree that qualified medical expenses are those expenses authorized under the provisions of Internal Revenue Code Section 213, excepting only those specific expenses the parties mutually agree to exclude.
2. AMEA and ANAHEIM agree that employees hired prior to January 1, 2002, shall be allowed the opportunity to elect to participate in the Plan. Such election may be made prospectively at any time. A mandatory pre-tax contribution of one percent (1%) of an employee's gross biweekly pay shall be deposited to the individual employee Retirement Health Savings Account (RHSA). Once made, such election shall be irrevocable.
3. AMEA and ANAHEIM agree that 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 Retirement Health Savings Account as designated by the employee. Such deferrals shall be converted to cash at the employee's base rate of pay and deposited into the employee's individual RHSA as they are earned.

AMEA and ANAHEIM further agree that 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 Retirement Health Savings Account as designated by the employee. Such deferrals shall be converted to cash at the employee's base rate of pay and deposited into the employee's individual RHSA as they are earned.

4. AMEA and ANAHEIM agree that active employees will be eligible to withdraw funds solely for reimbursement of the employee's share of medical insurance premiums for plans provided by the City at age 50 and after five years of service with the City of Anaheim.
5. AMEA and ANAHEIM agree that 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. AMEA and ANAHEIM acknowledge that employee premium contributions for employer-provided group health insurance provided by other employers are not an eligible medical expense for the purpose of this plan.

6. AMEA and ANAHEIM agree that upon the death of an employee, surviving spouse and/or eligible dependents are immediately eligible to maintain the individual member account and to utilize it to fund eligible medical benefits.
7. AMEA and ANAHEIM agree that the Plan Document shall establish the medical benefits that are reimbursable to participating employees and shall establish benefit eligibility.
8. AMEA and ANAHEIM agree that either party may request at any time to meet and confer regarding plan provisions, and may propose plan amendments to be effective the first day of the calendar year following agreement, except that ANAHEIM shall not be obligated to meet and confer at any time during the term of the current Memorandums of Understanding between the PARTIES dated September 29, 2000 through January 1, 2004 regarding employer contributions. Any agreements reached shall be incorporated in a written Letter of Understanding, signed by the City Management Representative and the AMEA Representatives and presented to the Anaheim City Council for determination.
9. If any provision of this Letter of Understanding is at any time or in any way expressly prohibited by Private Letter Ruling or held to be contrary to any law by any court of proper jurisdiction, the remainder of this Letter of Understanding shall not be effected thereby, and shall remain in full force and effect.
10. Disputes regarding the interpretation or application of the terms of this Letter of Understanding shall be resolved between authorized representatives of ANAHEIM and the AMEA. In the event the parties cannot resolve the dispute, it shall be submitted for review through the grievance procedure.

**STAFF OFFICIALS of the CITY OF
ANAHEIM, a Municipal Corporation**

By: David Hill
 By: Cyke
 By: A. Ball

**ANAHEIM MUNICIPAL EMPLOYEES
ASSOCIATION, General & Clerical Units**

By: [Signature]
 By: [Signature]
 By: Brett Johnson

Dated: 7-18-2003