

LETTER OF UNDERSTANDING
between the
INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS. Local 47
and the
CITY OF ANAHEIM

The International Brotherhood of Electrical Workers, Local 47 (UNION) and the City of Anaheim (ANAHEIM) have met and conferred and have reached an agreement concerning a defined contribution Post-Retirement Medical Plan for employees hired on or after January 1, 2002. The PARTIES have reached an understanding, as follows:

1. UNION 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. 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. UNION and ANAHEIM agree that the Plan will require a five-year vesting period (cliff vesting) for any ANAHEIM provided contributions.
3. ANAHEIM shall make a one-time lump sum employer contribution of three thousand dollars (\$3,000) into an employee's individual Retirement Health Savings Account (RHSA) upon the employee's appointment to a classification represented by the UNION.
4. UNION and ANAHEIM agree that ANAHEIM shall make a three thousand dollar (\$3,000) per employee contribution to the Plan no later than the last day of the pay period following City Council approval of this Letter of Understanding for each employee hired between January 1, 2002, and the effective date of this Agreement.
5. UNION and ANAHEIM agree that, effective the first pay period following approval of this Letter of Understanding by the Anaheim City Council, each employee hired on or after January 1, 2002 shall be required to contribute 1.9% of his or her gross biweekly pay to the employee's individual RHSA. Such contributions shall be in lieu of, and not in addition to, contributions required under the provisions of Article 63.1.7 of the Memorandum of Understanding. UNION and ANAHEIM further agree that this contribution shall be periodically adjusted to match those contributions established in accordance with the provisions of Article 63.1.7 for employees hired prior to January 1, 2002; however, in no event shall the contribution herein be less than one percent (1%) nor more than three percent (3%) of an employee's gross biweekly pay.
6. UNION 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. 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. Contributions under this section shall be subject to the following restrictions:

- For the first four (4) years of continuous, full time service, employees shall be required to accrue a minimum of one-and-one-half (1½) hours 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 RHSA as designated by the employee.
 - Upon completion of four (4) years of continuous, full time service, 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 RHSA as designated by the employee.
 - Any employee who, during the pay period that includes November 1, has an accrued Sick Leave balance of one hundred seventy five (175) hours or more shall not be required to accrue any earned Sick Leave time per pay period; the full balance earned per pay period shall be available for deferral to the individual employee's RHSA as designated by the employee.
7. ANAHEIM further agrees, during the term of the Memorandum of Understanding dated July 1, 2000 through July 27, 2005, to make annual Vacation contributions on behalf of employees covered by this Letter of Understanding. Such contributions are in addition to those accruals provided for in Article 41.1.1.1. of the MOU and shall be converted to cash at the employee's base rate of pay and deposited into the employee's individual RHSA as they are contributed. Contributions shall be made in accordance with the following schedule:
- 24 hours at the close of the pay period including January 1, 2003
 - 24 hours at the close of the pay period including January 1, 2004
 - 24 hours at the close of the pay period including January 1, 2005
- UNION and ANAHEIM agree that the provisions of this Section shall remain in effect through July 27, 2005. UNION acknowledges that contributions made under the provisions of this Section are employer contributions, and subject to the vesting requirements of paragraph 2 of this Letter of Understanding.
8. UNION and ANAHEIM agree that employees will be eligible to withdraw funds 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.
9. UNION 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. UNION and ANAHEIM acknowledge that employee contributions for employer-provided group health insurance provided by other employers are not an eligible medical expense for the purpose of this plan.
10. UNION and ANAHEIM agree that employees hired on or after January 1, 2002, who have completed at least ten (10) years of consecutive ANAHEIM service, and who are

awarded a retirement from PERS as their reason for separation from ANAHEIM service shall be allowed access to ANAHEIM sponsored group health plans as one of their coverage options.

11. UNION 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.
12. UNION and ANAHEIM agree that the Plan Document shall establish the medical benefits that are reimbursable to participating employees and shall establish benefit eligibility.
13. UNION 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 Memorandum of Understanding between the PARTIES dated July 21, 2000 through July 27, 2005 regarding employer contributions. Any agreements reached shall be incorporated in a written Letter of Understanding, signed by the City Management Representative and the UNION Representatives and presented to the Anaheim City Council for determination.
14. 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.
15. Disputes regarding the interpretation or application of the terms of this Letter of Understanding shall be resolved between authorized representatives of ANAHEIM and the UNION. 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

INTERNATIONAL BROTHERHOOD of
ELECTRICAL WORKERS, Local 47

By: David Hill

By: [Signature]

By: Cy/Cal

By: [Signature]

By: Rich Hall

By: Michael J. Lynn

Dated: 10/15/2002