

MEMORANDUM OF UNDERSTANDING  
SETTING THE TERMS AND CONDITIONS OF MEDICAL INSURANCE COVERAGE  
BETWEEN  
CITY OF SANTA MONICA  
AND  
MANAGEMENT TEAM ASSOCIATES, SUPERVISORY TEAM ASSOCIATES,  
ADMINISTRATIVE TEAM ASSOCIATES, MUNICIPAL EMPLOYEES ASSOCIATION,  
PUBLIC ATTORNEY'S UNION, PUBLIC ATTORNEY'S LEGAL SUPPORT STAFF  
UNION, UNITED TRANSPORTATION UNION (LOCAL 1785),  
EXECUTIVE PAY PLAN PARTICIPANTS, AND  
SANTA MONICA FIREFIGHTERS, LOCAL 1109 (IAFF)

This Agreement sets forth the terms and conditions pertaining to the medical insurance program offered by the City of Santa Monica to permanent non-sworn City employees, sworn members of the Executive Pay Plan (EPP) and sworn employees represented by the Santa Monica Firefighters, Local 1109 (IAFF).

Employees covered hereunder shall be all permanent non-sworn City employees represented by the following City bargaining units or their respective successors: Administrative Team Associates (ATA), Management Team Associates (MTA), Municipal Employees Association (MEA), Public Attorneys Union (PAU), Public Attorneys' Legal Support Staff Union (PALSSU), Supervisory Team Associates (STA), and United Transportation Union, Local 1785 (UTU). This Agreement shall also cover members of the Executive Pay Plan (EPP) and the sworn employees represented by the Santa Monica Firefighters, Local 1109, IAFF (Local 1109). This Agreement shall not cover or pertain to safety employees represented by the Santa Monica Police Officers Association (SMPOA).

This Agreement shall be effective July 1, 2010 and shall remain in full force and effect until December, 31 2011. Negotiations to extend this Agreement or enter into a new agreement prior to the expiration of this agreement will commence upon a date mutually agreed upon by the City, the non-sworn bargaining units, Executive Pay Plan members and Santa Monica Firefighters, Local 1109, with said negotiations to start by no later than September 1, 2011, with a signed contract desired by January 1, 2012.

Each employee covered by this Agreement desiring to be covered hereunder may contribute, on a pre-tax basis, monies into an Internal Revenue Code Section 125 plan established for the purpose of enabling employees to pay for IRS qualified health care costs which are the responsibility of the employee. This plan is known as a Flexible Benefit Plan.

Each employee covered hereunder desiring to be covered by the City's medical insurance plan may contribute, on a pre-tax basis, monies into the Internal Revenue Code Section 125 plan. Those monies can be used by the employee to pay on a pre-tax basis medical insurance premium contributions that the employee is required to make under the terms of this Agreement.

Effective July 1, 2010, the City shall contribute toward medical premiums an amount equal to the actual cost of the medical insurance premium for the medical plan that an eligible employee is enrolled in, less any required employee contributions set forth below. Each active employee covered hereunder can use this City contribution to cover a portion of the cost of medical insurance for the employee and his/her eligible dependents under one of the City-provided medical insurance plans.

Any tax liability associated with the contribution made by the City to the cafeteria plan shall be paid by the employee upon whose behalf the contribution to the cafeteria plan is made. Pursuant to the terms of the cafeteria plan, any eligible employee electing not to receive medical coverage pursuant to the options available under the City-provided medical insurance program shall be entitled to a lump sum monthly cash payment in the amount of \$150.00.

Effective January 1, 2011 active employees covered hereunder who are eligible to participate in the City-provided medical insurance program will contribute the following monthly flat dollar amount towards the premium of their selected medical insurance plan through a payroll deduction as a contribution from the Internal Revenue Code Section 125 plan.

| <b>CIGNA HMO</b>   | <b>January 1, 2011</b> |
|--------------------|------------------------|
| <b>Employee</b>    | \$22                   |
| <b>Employee +1</b> | \$45                   |
| <b>Family</b>      | \$58                   |

| <b>CIGNA OAP</b>   | <b>January 1, 2011</b> |
|--------------------|------------------------|
| <b>Employee</b>    | \$31                   |
| <b>Employee +1</b> | \$61                   |
| <b>Family</b>      | \$80                   |

| <b>KAISER</b>      | <b>January 1, 2011</b> |
|--------------------|------------------------|
| <b>Employee</b>    | \$21                   |
| <b>Employee +1</b> | \$42                   |
| <b>Family</b>      | \$58                   |

During the term of the agreement, the Reserve/Trust Account established in the 2005 MOU between the City of Santa Monica and the Coalition will be utilized to subsidize the employee's portion of the medical premium, excluding employees represented by Local 1109. From January 1, 2011 to June 30, 2011 the subsidy will be 50% of the established employee contribution and from July 1, 2011 to December 31, 2011 the subsidy will be 25% of the established employee's contribution. The City and the Coalition both reserve their respective rights with regard to any balance remaining in the Reserve/Trust Account.

Permanent part-time City employees hired after July 1, 2010, who work at least 20 budgeted hours a week and less than 32 budgeted hours a week, will have the option of electing from one of the City-provided HMO medical insurance plans. Permanent part-time City employees may, at their option, pay the difference between the premium of the less costly HMO medical insurance plan and the Cigna Open Access Plan plus any employee contribution for the selected plan.

Permanent part-time City employees currently enrolled in the Aetna PPO medical plan as of June 30, 2010, will be grandfathered into the PPO plan at their existing benefit level. Effective July 1, 2010, eligible permanent part-time employees who make an irrevocable decision to opt out of the PPO plan will lose grandfathered status and will only have the option of electing from one of the City-provided HMO medical insurance plans. If an employee's position is involuntarily changed from full-time to part-time status due to budget reduction (reduction in force), the new status will not affect the employee's right to participate in the PPO plan.

An eligible retiree under this Agreement is a non-sworn permanent City employee or a permanent City employee represented by Local 1109 who retired between July 1, 2001 and December 31, 2003 and was participating in the CalPERS Healthcare Program as of December 31, 2003. The City shall contribute toward the payment of medical insurance premiums on behalf of each eligible retiree the amount that had been required by CalPERS as of December 31, 2003.

A retired non-sworn permanent City employee or retired permanent City employee represented by Local 1109 shall have the option of purchasing continued medical insurance coverage under this plan with the eligible retiree paying the full actual cost of the chosen medical insurance plan unless otherwise provided for in an individual bargaining unit's Memorandum of Understanding.

The City will implement a comprehensive wellness program. A portion of the cost to establish and maintain the wellness program will be funded by the reserve account that was established for the City's active non-sworn employees in 2005 in an amount not to exceed \$95,000. The City will make a contribution of \$95,000 towards the implementation of the wellness program. All active non-sworn City employees, sworn members of the Executive Pay Plan, and sworn employees represented by the Santa Monica Firefighters, Local 1109 will be eligible to participate in the wellness program.

Effective July 1, 2010 through December 31, 2011, the City shall contribute \$142 per month on behalf of each eligible active non-sworn employee covered by this Agreement including sworn

members of the Executive Pay Plan (EPP) into a trust established and administered by the non-sworn employees covered hereunder in accordance with federal and state laws. Effective July 1, 2010 through December 31, 2011, the City shall contribute \$142 per month on behalf of each eligible active employee represented by Local 1109 covered by this Agreement into a trust established and administered by Local 1109 in accordance with federal and state laws. The trusts referenced herein will be used to reimburse all or part of the health insurance premiums for eligible retirees and dependents. The employees covered hereunder shall be responsible for all costs associated with administering the trusts. The City shall not be responsible for any tax liability associated with contributions to and/or payments made from the trusts. The monthly contribution for an active employee will only be made for each month that the employee is eligible to receive medical insurance coverage under the City-provided medical insurance program. Under the terms of this Agreement, City contributions to the trusts shall cease as of December 31, 2011.

With regard to the tax liability provision of the fourth (4<sup>th</sup>), fifth (5<sup>th</sup>) and eighth (8<sup>th</sup>) full paragraphs of this Agreement, the City warrants that the cafeteria plan is a bona fide IRS Section 125 cafeteria plan. The regular and intended effect of the implementation of the plan, under current law, is to enable employees to choose between the receipt of benefits which are not subject to either State or Federal income tax and benefits which are subject to tax without the choice resulting in a taxable event. Thus, the tax liability provision shall be interpreted to mean that, in the event of a change in IRS regulations or tax law that makes cafeteria benefits taxable, the employee (not the City) is responsible for the taxes. In the absence of such a change, the provision pertaining to tax liability shall have no effect.

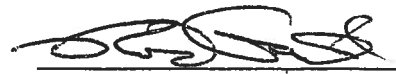
One of the medical insurance plans offered by the City will be the Kaiser plan that has been established by the Public Employees Benefit Trust (hereinafter referred to as the PEBT Kaiser plan). This Agreement shall serve as the Resolution required of the City's non-sworn bargaining units, sworn members of the Executive Pay Plan and Local 1109 under the terms and conditions pertaining to participation in the PEBT Kaiser plan. In the event the City should determine that participation in the PEBT Kaiser plan is not in the best interest of the City and/or its employees, the bargaining units that have entered into this Agreement will, upon notification by the City, file the Resolution that is required under the terms and conditions of the PEBT Kaiser plan to end participation in the plan. In order to avoid disruptions in medical insurance coverage for participants in the PEBT Kaiser plan, the effective date of the termination of said change shall be at the beginning of the medical plan (i.e., calendar) year designed by the City.

IN WITNESS WHEREOF, the parties hereto have caused this Memorandum of Understanding to be executed October \_\_\_\_, 2010.

**ADMINISTRATIVE TEAM ASSOCIATES**

  
\_\_\_\_\_  
Benjamin Steers, President

**CITY OF SANTA MONICA**

  
\_\_\_\_\_  
Rod Gould  
City Manager

**MANAGEMENT TEAM ASSOCIATES**

Ralph Merced  
Ralph Merced, President

**ATTEST:**

Maria W Stewart  
Maria Stewart  
City Clerk

**MUNICIPAL EMPLOYEES ASSOCIATION**

Martha Santana  
Martha Santana, President

**APPROVED AS TO FORM:**

Marsha Jones Moutrie  
Marsha Jones Moutrie  
City Attorney

**PUBLIC ATTORNEYS' UNION**

Terry White  
Terry White, PAU Representative

**PUBLIC ATTORNEYS' LEGAL SUPPORT STAFF UNION**

Bradley Michaud  
Bradley Michaud, PALSSU Representative

**SUPERVISORY TEAM ASSOCIATES**

Darrell Baker  
Darrell Baker, President

**UNITED TRANSPORTATION UNION, LOCAL 1785**

*WE DO NOT AGREE WITH THIS CONTRACT.*  
Adhi S. Reddy - 10-11-2010.  
Adhi Reddy, General Chairman

**EXECUTIVE PAY PLAN**

Greg Mullen  
Greg Mullen, EPP Representative

**SANTA MONICA FIREFIGHTERS, LOCAL 1109 (IAFF)**

Brad Lomas  
Brad Lomas, President