

**Side Letter of Agreement
Between the
City of Petaluma and AFSCME Unit 2 – Maintenance**

**Health Benefits for Active and Retired Employees
January 6, 2009**

Representatives of the City of Petaluma and AFSCME – Unit 2 – Maintenance have met and conferred and reached agreement on this Side letter of Agreement to the Unit 2 Memorandum of Understanding (MOU) dated July 1, 2007 through June 30, 2010 which modifies Section 28 - Health Benefits - Active Employees and Section 29 Health Benefits - Retired Employees.

A change in California Public Employees' Retirement System (CalPERS) law relating to employer's contributions for health care premiums requires the City of Petaluma to use a new formula to determine the minimum contribution the City must make on behalf of active employees and annuitants (retirees) for health care premium payments.

- The parties agree to replace existing MOU sections 28 and 29 with the following revised sections 27 and 28 effective January 1, 2009:

SECTION 28 – HEALTH BENEFITS – ACTIVE EMPLOYEES

28.1 Active Employees – PEMHCA Contribution

The City currently provides health benefits through the California Public Employees' Retirement System (CalPERS) Health Benefits Program under the Public Employees' Medical and Hospital Care Act (PEMHCA). The City's employer contribution for each employee shall be the minimum required by PEMHCA. The City pays this contribution directly to CalPERS.

28.2 Active Employees - Additional Benefit

Effective January 1, 2009 and January 1, 2010 the City shall provide active employees with an additional monthly benefit as identified in the chart below and explained as follows: the cost of the monthly CalPERS Health Premium for Kaiser – Bay Area/Sacramento less the City's PEMHCA contribution times ninety-five (95%) for each employee and his or her family members. For example, effective January 1, 2009, the monthly premium at the Kaiser rate for single health benefit coverage is \$508.30. The additional benefit would be calculated as \$ 508.30 less \$ 101.00 times 95% = \$386.94.

28.3 Additional Benefit – Effective January 1, 2009

Coverage	2009 Kaiser Rate	City PEMHCA Contribution	Maximum Additional Benefit Contributed by the City
Single	\$508.30	\$101.00	\$386.94
2-Party	\$1,016.60	\$101.00	\$869.82
Family	\$1,321.58	\$101.00	\$1,159.55

28.4 Additional Benefit – Effective January 1, 2010

Coverage Level	2010 Kaiser Rate	City PEMHCA Contribution	Maximum Additional Benefit Contributed by the City
Single, 2-Party , or Family	Applicable Kaiser Rate	As determined By CalPERS	Monthly Kaiser rate less PEMHCA contribution times 95%

- 28.5 Employee Contribution
Employees shall contribute to his/her CalPERS Health Premium in the amounts less the City's PEMHCA contribution and less the additional benefit dollar paid by the City.

SECTION 29 – HEALTH BENEFITS – RETIRED EMPLOYEES

- 29.1 Retired Employees – CalPERS and the PEMHCA
The City currently provides health benefits through the California Public Employees' Retirement System (CalPERS) Health Benefits Program under the Public Employees' Medical and Hospital Care Act (PEMHCA). In order for a retired employee to be eligible to receive health benefits through CalPERS upon retirement, a retiree must meet the following definition of "annuitant" under CalPERS law:
- (A) Employee must be a member of CalPERS; and
 - (B) Employee must retire within 120 days of separation from employment with the City of Petaluma and receive a monthly retirement allowance from CalPERS.
- 29.2 "Unequal Contribution" Method for Health Care Premium Payments for Retirees
The City uses the "unequal contribution" method for health care premium payments for annuitants (retirees), as permitted under Government Code section 22892. Under this method, the City is required annually to increase the total monthly annuitant health care contribution to equal an amount not less than the number of years the City has been in the PEMHCA program multiplied by five percent (5%) of the current monthly employer contribution for active employees until the time the City's Contribution for annuitants equals the City's PEMHCA contribution paid for active employees.
- By way of explanation, for calendar year 2009, the formula for determining the City's PEMHCA for retirees is as follows:
- 15 years in the PEMHCA program x 5% = 75% x \$101 (minimum employer contribution for active employees for 2009) = \$75.75.
- The City pays this contribution directly to CalPERS. The retiree is required to contribute to the cost of the health benefit coverage. The retiree's monthly contribution shall be the cost of the monthly health benefit premium less the amount of the City's contribution.
- 29.3 CalPERS Annuitant – PEMHCA Health Benefits
In accordance with the PEMHCA provisions, if an employee is a CalPERS annuitant as defined in Section 29.1 and receives health benefits under the PEMHCA, the employee is eligible to receive the City's PEMHCA contribution amount specified in Section 29.5 below, regardless of the number of years of service with the City of Petaluma.
- 29.4 Less Than 20 Years of Service – Not Receiving PEMHCA Health Benefits
A retired employee with less than twenty (20) years of service with the City of Petaluma who is not enrolled in the CalPERS health benefit program does not receive any retiree benefit from the City.

29.5 Less Than 20 Years of Service – Receiving PEMHCA Health Benefits

A retired employee with less than twenty (20) years of service with the City of Petaluma who is a CalPERS annuitant as defined in Section 28.1 and enrolled in the CalPERS health benefit program is eligible to receive the City's PEMHCA contribution amount according to the following schedule:

Calendar Year	City's Monthly PEMHCA contribution
2008	\$70.00
2009	\$75.75
2010	\$80.00
2011	\$85.00
2012	\$90.00
2013	\$95.00
2014	\$100.00

29.6 20 Years or More of Service – Not Receiving PEMHCA Health Benefits

A retired employee with twenty (20) or more years of service with the City of Petaluma who is not enrolled in the CalPERS health benefits program shall receive direct payments in the amount of one-hundred-forty dollars (\$140) each month, effective the first month following the expiration of health benefit coverage.

29.7 20 Years or More of Service – Receiving PEMHCA Health Benefits

A retired employee with twenty (20) years or more of service with the City of Petaluma who is a CalPERS annuitant as defined in Section 29.1 and enrolled in the CalPERS health benefit program shall receive a benefit payment of one-hundred-forty dollars (\$140) per month as specified in this section.


The City's cash retiree benefit is sent directly to the retiree.

The following chart indicates the amount of the City's PEMHCA contribution and the amount of Cash payment to the retiree in the coming years.

Calendar Year	City Monthly PEMHCA contribution	City Monthly Cash Retiree Benefit	Total Benefit Amount
2008	\$ 70.00	\$ 70.00	\$ 140.00
2009	\$ 75.75	\$ 64.25	\$ 140.00
2010	\$ 80.00	\$ 60.00	\$ 140.00
2011	\$ 85.00	\$ 55.00	\$ 140.00
2012	\$ 90.00	\$ 50.00	\$ 140.00
2013	\$ 95.00	\$ 45.00	\$ 140.00
2014	\$ 100.00	\$ 40.00	\$ 140.00

It is the responsibility of the retiree to notify the City in writing if he/she is no longer participating in the CalPERS health benefit program. Following receipt of the written notice, the City will commence direct payment of the one-hundred-forty dollars (\$140) at the beginning of the following month.

AFSCME



Lenny McBride, Labor Representative, AFSCME

1/21/09

Date




Doug Silacci, President AFSCME

1/20/9

Date

CITY OF PETALUMA



John C. Brown, City Manager

1-29-09

Date



Pamala Robbins, Human Resources Manager

1-28-2009

Date