

LETTER OF UNDERSTANDING
between the
ANAHEIM POLICE ASSOCIATION
and the
CITY OF ANAHEIM

The Anaheim Police Association (APA), 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 on or after July 6, 2001. The PARTIES have reached an understanding, as follows:

1. APA and ANAHEIM agree that for employees hired on or after July 6, 2001, 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. APA 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 RHSA upon the employee's appointment to a classification represented by the APA.
4. ANAHEIM shall make an additional one-time lump sum employer contribution of one-half ($\frac{1}{2}$) of the amount contributed in accordance with paragraph 3 above into an employee's individual RHSA upon the employee's appointment to a classification represented by the APA for any such employee who has at least three (3) years of prior service as a sworn Police Officer with another California law enforcement agency. ANAHEIM and APA agree that this provision shall remain in effect through January 13, 2005.
5. ANAHEIM shall make an additional one-time lump sum employer contribution of two thousand dollars (\$2,000) on behalf of each employee hired during the term of the current Memorandum of Understanding between the PARTIES dated January 19, 2001 through January 13, 2005, such contribution to be made upon the employee's completion of probation. ANAHEIM shall make an additional one-time lump sum employer contribution of one thousand dollars (\$1,000) for any such employee who has at least three (3) years of prior service as a sworn Police Officer with another California law enforcement agency. ANAHEIM and APA agree that this provision shall remain in effect through January 13, 2005.
6. APA and ANAHEIM agree that each employee shall be required to contribute a portion of his or her gross biweekly pay to the employee's individual RHSA in accordance with

the following schedule:

- 1½% effective the first pay period following adoption of this Letter of Understanding
 - 2¼% effective January 17, 2003
 - 3% effective January 16, 2004.
7. APA and ANAHEIM agree that employees shall be given an opportunity each year to elect to contribute (in increments of ½ hour) paid leave hours to be earned prospectively in the upcoming calendar year. Employees shall be required to accrue a minimum of six (6) hours of earned Paid 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. 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.
 8. APA 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. APA 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. APA 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. APA and ANAHEIM agree that employees hired on or after July 6, 2001, 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. APA and ANAHEIM agree that upon the death of an employee, the surviving spouse and/or eligible dependents are immediately eligible to maintain the individual member account (RHSA) and to utilize it to fund eligible medical benefits.
 12. APA and ANAHEIM agree that the PLAN Document shall establish the medical benefits that are reimbursable to participating employees and shall establish benefit eligibility.
 13. APA 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 July 6, 2001, and the effective date of this Agreement.
 14. APA 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 regarding employer contributions at any time during the term of the current Memorandum of Understanding between the PARTIES dated January 19, 2001 through January 13, 2005. Any agreements reached shall be incorporated in a written Letter of Understanding, signed by the City Management

Representative and the APA Representatives and presented to the Anaheim City Council for determination.

15. 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.
16. Disputes regarding the interpretation or application of the terms of this Letter of Understanding shall be resolved between authorized representatives of ANAHEIM and the APA. 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

ANAHEIM POLICE ASSOCIATION

By: David Hill

By: PRES. Greg Palmer

By: C. G. Hill

By: Earl S. Throck

By: R. Hill

By: Henry F. Cook

Dated: Oct 10, 2002