SIDE LETTER OF AGREEMENT

BETWEEN

ORANGE COUNTY FIRE AUTHORITY

AND

ORANGE COUNTY EMPLOYEES ASSOCIATION

FOR THE

GENERAL AND SUPERVISORY MANAGEMENT UNITS

This Side Letter of Agreement ("Agreement") between the Orange County Fire Authority ("Authority") and the Orange County Employees Association for the General and Supervisory Management Units ("Association") (collectively "Parties") is entered into with respect to the following:

WHEREAS, the Parties are currently parties to a Memorandum of Understanding ("MOU") that expires on August 22, 2021; and

WHEREAS, the Parties anticipate that labor negotiations for a successor MOU will continue during and perhaps beyond the open enrollment period (September 20 – October 15, 2021) for employees to make changes related to their health insurance choices; and

WHEREAS, as the Parties have reached tentative agreements (in their negotiations for a successor MOU) to modify language in their MOU related to health insurance, the Parties wish to enter into this Agreement so that those changes will be in effect during the open enrollment period for 2022; and

WHEREAS, the following sets forth the Parties' Agreement:

1. Article XIII, Sections 1 and 2 of the Parties' MOU is modified as reflected in the track changes to those sections below:

ARTICLE XIII

INSURANCE

Section 1. CalPERS Health Care

A. The Authority shall continue to maintain its contract with the California Public Employees' Retirement System (CalPERS) for employees' health care coverage.

B. The Authority shall contribute towards the payment of health care premiums, under the CalPERS Health Benefits Plan, on behalf of each eligible active employee and each eligible retiree, an equal contribution as set forth in

California Government Code § 22892 and the Public Employees' Medical and Hospital Act (PEMHCA). That amount is equal to the annual CalPERS statutory minimum which is $143 for 2021, and a yet undetermined amount for years following 2021. For the purposes of health insurance only, eligible active employees include the following:

1. Full-time regular, limited-term or probationary employees who, upon hire or starting in the position, are reasonably expected to average thirty (30) or more hours of service per week [i.e. one hundred thirty (130) hours per month]; and

2. Part-time regular, limited-term or probationary employees who, upon hire or starting in the position, are reasonably expected to average at least twenty (20) hours of service per week.

C. The Authority shall provide to each eligible employee a health flex contribution to purchase health benefits under its Section 125 of the Internal Revenue Code ("Cafeteria Plan"). Section 125 (Cafeteria) Plan:

1. The Authority shall provide to each full-time employee, as defined in Section 1.B.i of this Article, a health flex contribution of the greater of:

Employee Only Coverage: 100% of the health plan premium selected by the employee.

Employee + Dependent Coverage: 75% of the health plan premium selected by the employee.

If 100% of the cost of the employee only plan exceeds the cost of 75% of the two party or family plans actually selected by the employee, then an employee may elect dependent coverage and receive a contribution from the Authority of the cost of the employee plan (i.e., the greater amount).

This amount shall include the contribution towards the employee's Cafeteria Plan as set forth in GC § 22892 and PEMHCA. Any balance of the employee's health care premium selection not covered by the health flex contribution shall be deducted from the employee's paycheck. The health flex contribution shall not be cashed out or applied to non-health benefits (for example, dependent care).

2. The Authority shall provide to each part-time employee, as defined in Section 1.B.ii of this Article, a health flex contribution as follows:

Employee Only Coverage: 50% of the health plan premium selected by the employee.

Employee + Dependent Coverage: 37.5% of the health plan premium selected by the employee.

This amount shall include the contribution towards the employee's Cafeteria Plan as set forth in GC § 22892 and PEMHCA. Any balance of the employee's health care premium selection not covered by the health flex contribution shall be deducted from the employee's paycheck. The health flex contribution shall not be cashed out or applied to non-health benefits (for example, dependent care). Health care coverage and other benefits provided as part of the Cafeteria Plan shall be terminated for any employee whose normal workweek is reduced to less than twenty (20) hours.

D. Eligible Opt-Out Arrangement:

1. Upon providing reasonable evidence of alternative coverage as required by the ACA's Eligible Opt Out Arrangement rules (below), other than an Authority funded or administered plan, a full-time employee as defined in Section 1.B.i of this Article, shall be entitled to a dollar amount equivalent to fifty percent (50%) of the cost of the highest employee only PPO plan offered to full-time employees in this bargaining unit. This amount will be paid bimonthly and will be computed and applied in accordance with the following steps:

    Step 1: Identify the highest employee-only PPO Premium offered by the Authority to unit employees living in the Orange County area.

    Step 2: Multiply the amount identified in Step 1 by one half (.5) to determine the 50% amount.

    Step 3: Multiply the amount identified in Step 2 by thirteen to determine the annual cash benefit.

    Step 4: Divide the amount determined in Step 3 by 24 to establish the amount to be applied on a bimonthly basis beginning with pay period 1.

   The employee will receive this dollar amount in lieu of the amount provided in Section 1.C.1. of this Article. The employee may apply the amount received towards benefits offered under the Cafeteria Plan, including accidental death and dismemberment insurance or receive it as taxable cash. The dollar amount will be reviewed annually and will be adjusted effective the first full pay period in January of each year. The adjustment will be based on the cost of the highest employee only PPO plan in effect January 1 of that year, offered to full-time employees in this bargaining unit.

2. Part-time employees (regular, limited term or probationary) are subject to the same provisions as full-time employees in Section 1D of this Article, except that for those employees who opt-out, they shall be entitled to a dollar amount equivalent to twenty-five

percent (25%) of the cost of the highest employee only PPO plan offered to full-time employees in this bargaining unit.

3. Pursuant to the Affordable Care Act (ACA) Employer Mandate "affordability" determination, an Eligible Opt-Out Arrangement requires the following for employees who opt-out of employer-provided health coverage and receive cash in lieu:

   a. Employee must provide reasonable evidence that the employee and each member of the employee's expected tax family (individuals the employee expects to claim personal exemption deduction) have or will have minimum essential coverage (other than coverage in the individual market, whether or not obtained through Covered California) during the period of coverage to which the opt-out arrangement applies;

   b. The opt-out payment may not be made if the employer knows or has reason to know that the employee or any other member of the employee's expected tax family does not have or will not have the alternative coverage;

   c. The evidence of alternative coverage must be provided every plan year to which the eligible opt-out arrangement applies; and

   d. The reasonable evidence, which can be a simple attestation by the employee, must be provided no earlier than a reasonable period of time before the plan year begins.

E. The Authority may reopen negotiations if there are changes that occur in connection with the Affordable Care Act.

Section 2. <u>Health Plan Enrollment</u>

A. Newly hired eligible employees must enroll for coverage in health plans within the first 60 days of employment. If the employee fails to enroll within the first 60 days of employment, they must either wait until the next open enrollment period or ninety (90) days after submission of a late enrollment form. Health plan coverage shall become effective the first day of the month following submission to the Authority of the Health Benefit Enrollment form.

B. Employees, who are terminated due to disciplinary action or reduction in force or who voluntarily resign from employment, may continue their health care coverage until the end of the month following the month in which the employee is terminated. However, the Authority's contribution towards the employee's health care coverage the month following termination shall be in accordance with California Government Code Section 22892, i.e., the PEMHCA statutory minimum amount.

C. An employee shall be given the opportunity to enroll in a medical plan or to change medical plans on the effective date of their retirement.

ORANGE COUNTY FIRE AUTHORITY

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8/27/21
Date

ORANGE COUNTY EMPLOYEES ASSOCIATION

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8/27/21
Date