



**CITY OF TEMPE
FIREFIGHTERS' UNIT**

January 8, 2015

Addendum to

**MEMORANDUM OF UNDERSTANDING
(MOU)**

July 1, 2014 – June 30, 2016

C2014-125A

This Addendum to the Memorandum of Understanding (MOU) is made and entered into between the City of Tempe, Arizona, hereinafter referred to as "City," and the Tempe Firefighters Unit, hereinafter referred to as "Unit," under the authority of Tempe City Code 2-400 et seq.

This Addendum clarifies and details specifics of the provisions referenced in Article 5.3 and changes provisions in Article 5.5 and 5.6 of the July 1, 2014 – June 30, 2016 MOU.

ARTICLE 5 HEALTH INSURANCE

3. *The Union may, if it wishes, explore the option of leaving all or parts of the City's health benefit plan which includes medical, dental and vision coverage, for its members, eligible dependents and retirees from the unit. To facilitate the evaluation of this option, the City will provide premium and claims experience reports to the Union within sixty (60) days of such request. The Union agrees that they will not leave the current employee health benefit plan sponsored by the City without at least six (6) months' notice.*

Exit must be done January 1, after given notice.

The City shall fund the premium amount, utilized for city employee contribution purposes, that is budgeted for the upcoming year based on the Union's plan enrollment at time of departure for the first policy period in which the Fire Fighter Unit departs. Subsequent year contribution levels will be negotiated on an annual basis.

The City agrees to allow the Union to exit the City's health benefit plan only if the following conditions are met: (1) the Union will cover any cost increases created for the City by the Union's exit from the City plan, for the period from date of the Union departure to conclusion open policy/fiscal year, in an amount based on a mutually agreed methodology; and (2) any future increases to the City's contribution will be negotiated annually contract to contract.

Under the above article, the Unit provided the required notification to the City of their intent to exit the City's Health Benefit Plan, specifically medical, dental and vision coverage, as of January 1, 2015 and the City has agreed . Under this agreement, the following provisions will apply:

1. Provision of benefits: The Unit will be solely responsible for purchasing, providing and administering medical, dental and vision benefit plans for all Unit members. All medical benefits will be Patient Protection Affordable Care Act (PPACA) compliant, specifically meeting minimum essential coverage and minimum value standards. All Unit members will be ineligible for medical, dental and vision benefits provided by the City as long as this agreement is in place. The City is not responsible to address any questions, concerns or issues with the Unit benefit plans and will refer any Unit member inquiries to the Unit benefit plan administrator.
2. Health Fund Cash-out provision:
 - a. 12.5% of the Health Fund surplus balance as of 12/31/2014, less the payout of Unit members' run-out claims as detailed below, will be provided for the Firefighters Trust

- Fund. (The Health Fund balance includes active and retiree plans for healthcare, dental, vision, and life).
- b. The City will pay all medical and dental claims (both benefits are self-funded) incurred by Unit members through 12/31/2014 over a run-out period from 1/1/2015 thru 4/30/2015, which will reduce the Firefighters' cash-out of the 12/31/2014 Health Fund Balance. Any claims incurred prior to 1/1/2015 that have not been paid by the end of the run-out period (4/30/2015) will be paid by the City without any further reduction to the Health Fund payment made to the Firefighters Trust Fund.
 - c. The City will also reimburse the Firefighters Trust Fund 12.5% of any additional dollars they receive from Pharmacy Rebates and Reinsurance payments on claims incurred before 1/1/2015.
3. Wellness Program and Credit: Unit members will no longer participate in the City's Wellness Program beginning 1/1/2015. City Wellness credits applied only to City employee medical premium contributions for those participating in the program and therefore is no longer applicable. Any credit associated with any Unit wellness program will be administered by the Unit benefit plan administrator.
 4. Waive Stipend: Any Unit member who elects to not participate in the Unit's medical benefits plan (this does not apply to dental or vision plans), will continue to qualify for the City's waive stipend payment of \$100 month. The stipend will continue to be paid by the City via the Unit member's paycheck. No medical premium contribution from the City will be paid for any Unit member who is waiving medical coverage.
 5. Trust Fund: The Unit is required to establish an appropriate trust fund governed under, and in compliance with any applicable federal and state laws, for the purpose of receiving, holding and disseminating monies to cover the costs of providing the medical, dental and vision benefits to its members.
 6. Unit Member Premium Deductions: The City will continue to deduct individual Unit member premium contributions from each paycheck on a pre-tax basis as long as the Unit provides all documentation required by the City to conclusively demonstrate that such pre-tax deductions are legal. Prior to the beginning of each plan year, the Unit will provide the City the various contribution amounts for all plans and all plan levels. See Attachment for 2015 premium deduction amounts. Premium deductions shall be forwarded after each City payroll to the Unit Trust established for the health benefits of the Unit's members.
 7. Ongoing verification of Pre-Tax Status: The Unit is required to provide the City with copies of any changes to plan documents, trust documents, 125 cafeteria plan or any other documents governing their benefits provisions to Unit members in order for the City to determine that the pre-tax status of deductions and City contributions is not impacted. Any tax or other liability associated with the adoption of plans by the Unit shall be the sole responsibility of the Unit.
 8. Unit Member benefits election and mid-year changes: Prior to the beginning of each of their plan years, the Unit will provide to the City the enrollment data file and supporting documents for all Unit Members including those waiving coverage. Prior to each bi-weekly City payroll, the Unit will provide a data file and supporting documentation of any mid-year changes to members

enrollment elections in order for the City to deduct appropriate employee contributions and submit appropriate associated employer contributions.

9. City Premium Contributions: The City shall submit to the Unit Trust each pay period the appropriate employer contribution for each enrolled member. Any responsibility for remission of those contributions to an insurer or to a self-funded plan shall be the sole responsibility of the Unit. The City's employer contribution amount shall be the same amount that is currently paid by the City for the same plan and same coverage level. See Attachment for 2015 employer contribution amounts.
10. Changes to City Premium Contributions: The City and the Unit shall negotiate on an annual basis any changes in City premium contributions to be effective for the beginning of each Unit benefits plan year and/or City plan year.
11. Flexible Spending Accounts: Unit Members who elected a City sponsored medical FSA for the City's July 1, 2014 plan year, will continue to be able to request reimbursement of qualified medical expenses incurred no later than June 30, 2015 from their account balance. Reimbursement can be requested through September 30, 2015. Any funds remaining in the account after that date will be forfeited. Unit Members will not be eligible for future participation in the City's medical or dependent care FSA's as long as this Addendum to MOU is in place.
12. Returning to the City health plans: The Unit shall provide the City with at least 60 days notice of its intent to return its members to coverage under the City medical, dental and vision plans. Any return to the City plans will require negotiating an appropriate payment to the City's Health Fund.

Changes to the language of Article 5.5 and 5.6 are detailed below:

ARTICLE 5 HEALTH INSURANCE

5. *The City will match \$25 per pay period into a fund for the purpose of providing a monthly stipend for retirees to apply to the cost of their health insurance premium upon retirement. The Trust Fund shall be maintained and initiated by a Board appointed by the United Phoenix Firefighters – Tempe Chapter Local 493.*

The fund shall be invested in prudent, protected investments in compliance with state and federal laws. The fund managers may seek outside advice and consultation as they deem appropriate and are authorized to secure a formal trust instrument. The trust instrument and any amendments thereto must be provided to the City for review upon request and on an annual basis.

Any implementation of this Article shall be consistent with current and future IRS and/or PSRS rulings and all federal, state, and local laws

6. *The Tempe Fire Fighters Employee Benefit Trust Fund, now known as the United Arizona Firefighters Health Care Trust (the "Trust"), shall serve as the funding vehicle for the Union's health insurance plan as well as the funding vehicle for the retiree health insurance stipend.*

(a) *The City agrees that the Union shall serve as the sole settlor and sponsor of the Trust effective as of January 1, 2015.*

(b) *The Board of Trustees shall take precautions to make sure retiree health insurance stipend contributions are not used to pay costs associated with the Union's health insurance plan or any other benefit that may be offered through the Trust.*

Each Unit Member will contribute \$25 per pay period into the Trust for the purpose of providing a monthly stipend for retirees to apply to the cost of their health insurance premiums and related expenses upon retirement. The Unit Member contributions are mandatory and therefore shall be deducted from payroll by the City on a pre-tax basis and remitted to the Trust on a bi-weekly basis.

The Trust's Board of Trustees shall determine the amount of the monthly retiree stipend, the eligibility criteria for the stipend and the timing of all stipend payments.

7.¹ *The City assumes no liability on account of any action taken pursuant to this Article. The Union agrees to indemnify, defend and hold harmless the City, its agents, employees, and officials, for taking action pursuant to this Article.*

¹ The MOU has a numbering error in which Article 5 has two section 5s. In this Addendum, the duplicate Article 5.5, is restated and renumbered here as Article 5.7

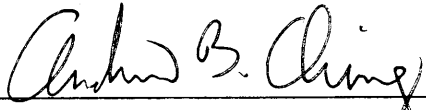
This Addendum to the Firefighters Unit MOU July 1, 2014 – June 30, 2016 shall become effective January 1, 2015, and remain in full force and effect until June 30, 2016, in accordance with the provisions of Tempe City Code section 2-400 et seq.

This Addendum constitutes the total and entire agreement between the parties with regards to the provisions of Article 5.3 and no verbal statement shall supersede any of its provisions. Only by mutual consent of both parties may this agreement be reopened.

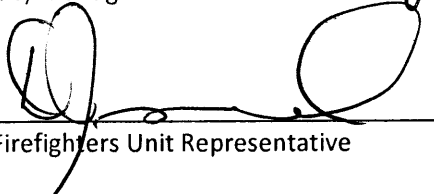
IN WITNESS WHEREOF, the Parties have set their hands this

8th day of January, 2015.

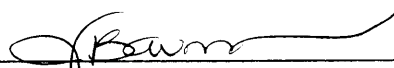
CITY OF TEMPE, a municipality



City Manager



Firefighters Unit Representative



APPROVED AS TO FORM:
City Attorney

January 8, 2015

Addendum to MEMORANDUM OF UNDERSTANDING (MOU) July 1, 2014 – June 30, 2016

ATTACHMENT

	Biweekly Employee Contributions	Biweekly City Contributions
	Beginning 01/01/2015	As of 07/01/2014
	Firefighters	City of Tempe
PPO 400		
EE	\$39.00	\$251.10
ES	\$137.00	\$426.86
EC	\$105.00	\$368.86
FAMILY	\$198.00	\$515.27
PPO 750		
EE	\$ -	\$251.10
ES	\$61.00	\$426.86
EC	\$41.00	\$368.86
FAMILY	\$91.00	\$515.27
PPO 1500		
EE	\$ -	\$239.14
ES	\$42.00	\$426.86
EC	\$25.00	\$368.86
FAMILY	\$76.00	\$515.27
DENTAL LOW		
EE	\$ -	\$9.77
EE+1	\$5.00	\$14.98
EE+2+	\$10.00	\$20.55
DENTAL HIGH		
EE	\$5.00	\$10.26
EE+1	\$16.00	\$15.22
EE+2+	\$28.00	\$19.73
VISION		
EE	\$ -	\$2.75
EE+1	\$3.00	\$2.50
EE+2+	\$5.00	\$3.15