

SIDE LETTER AGREEMENT NO. 4

TO AGREEMENT NO. 6711c

BETWEEN

NAPA CITY EMPLOYEES ASSOCIATION

AND

CITY OF NAPA

PERS Cost-Sharing

Whereas, The City of Napa ("City") and the Napa City Employees Association ("NCEA") are committed to maintaining cooperative labor relations, including discussions over matters outside of the Memorandum of Understanding ("MOU") now and in the future.

Whereas, The City and NCEA are parties to an MOU with a term of March 1, 2002 through February 28, 2011.

Whereas, Section 13.10 of the NCEA MOU provides that, effective December 1, 2004 and through the term of the MOU, if the City's PERS contribution rate exceeds fourteen percent (14.00%), the employee and City shall share equally such excess rate, up to nineteen percent (19%).

Whereas, Effective July 1, 2005, the City's PERS' contribution for NCEA bargaining unit members rose from 13.826% to 15.902%.

Whereas, Section 13.10 further provides that employees may use the IRC 414(h)(2) provision for this cost-sharing.

Therefore, the Parties Agree That:

1. Effective December 1, 2004 and through the term of the MOU, if the City's PERS contribution rate exceeds fourteen percent (14.00%), the employee shall share equally such excess rate, up to nineteen percent (19%) ("Cost Share Percentage"). The maximum Cost Share Percentage shall be 2.5%.
2. The first 1% of the Cost Share Percentage shall be paid through reduction in the City's Employer Paid Member Contribution ("EPMC") payment to PERS and corresponding increase in the employee PERS contribution under IRC Section 414(h)(2). The parties understand that payments under the 414(h)(2) plan will be rounded to the closes 1/10 of 1%. For example, if the Cost Share Percentage is equal to 0.951%, the amount of the deduction will be rounded to 1%. Likewise, if the Cost Share Percentage is 1.049%, the amount of the deduction will be 1%.
3. To the extent that the Cost Share Percentage exceeds one percent (1%), the remainder of the Cost Share Percentage shall be allocated as follows: The City's contribution to health insurance under MOU Section 11.1 shall be reduced by an amount equal to the Cost Share Percentage minus 1% multiplied by the employee's PERSable compensation. The employee's contribution to health insurance shall increase by the same amount ("Insurance Cost Share Contribution"). For example, if the Cost Share Percentage were 2.5% and an employee's monthly PERSable compensation were \$10,000, the City's contribution to health insurance would be reduced by \$150 ((2.5%-1.0%)*10,000)

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and the employee contribution would be increased by \$150. This amount is in addition to the 1% payment made pursuant to Paragraph 2.

4. In the event that the Insurance Cost Share Contribution for an individual employee exceeds the amount of the City's contribution to health insurance for the employee, the balance of the reduction shall be taken from the City contribution to other health and welfare insurances in the following order: Dental, Long Term Disability, and Life Insurance. The employee contribution shall be a payroll deduction made on a pre-tax basis through the City's §125 plan.
5. In the event that the Insurance Cost Share Contribution exceeds the amount of the employee's contribution to all insurances, the balance of the Insurance Cost Share Contribution shall be made through a separate payroll deduction.
6. The amount of the reduction in employer contribution to EPMC, health or other insurances pursuant to this sideletter shall not be considered for purposes of any compensation survey performed pursuant to the MOU. In other words, the City contribution toward health insurance shall be considered to include the reduction based on the Cost Share Percentage (in the example above, the City maximum contribution to health insurance shall be deemed to include the \$150 deduction and the City payment of EPMC shall be considered to include the \$100 deduction).
7. The Cost Share Percentage shall be adjusted up or down based on the City's CalPERS contribution rate as determined by CalPERS. The City shall provide NCEA with a copy of the annual actuarial valuation provider by CalPERS and any other correspondence from CalPERS directly relating to the CalPERS contract covering bargaining unit members within five (5) business days of receipt.
8. This Agreement sets forth the entire agreement between the parties and supersedes any and all prior agreements between the parties, written or oral, pertaining to the subject matter of this Agreement. It is hereby understood and agreed that, other than those that are expressly contained herein; no party has made any promises, representations, understandings or warranties. The terms of this Agreement are contractual and not a mere recital.
9. This agreement shall be part of the current MOU and shall expire with the current MOU (February 28, 2011).

Dated: September 14, 2005

By: Nancy Weiss
Nancy Weiss, Assistant City Manager
City of Napa

Dated: September 14, 2005

By: Steve Crego
Steve Crego, President
Napa City Employees Association