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## MEMORANDUM OF UNDERSTANDING

Between

City Of Bellingham and

IAFF Local 106S

### Medical Expense Reimbursement Plan (MERP)

- I. **PURPOSE:** This Memorandum of Understanding is to provide employees that were hired before December 31, 2010 to request additional funds be withheld, on a pre-tax basis, for contribution to their MERP account.
  
- II. **SCOPE:** This agreement covers members of the IAFF Local 106S that are currently employed and were hired prior to December 31, 2010.
  
- III. **AGREEMENT:**

WHEREAS, the members of Local 106S have elected to participate in the MERP program; and

WHEREAS, the City has agreed to support the Local through negotiated contributions in their collective bargaining agreement; and

WHEREAS, members that were hired prior December 31, 2010 have a desire to purchase additional credits in the program to cover service time before the benefit was available; and

WHEREAS, IAFF Local 106S and the City believe in providing the employees the opportunity to save for their retirement medical costs;

NOW, THEREFORE, the parties agree to modify Article 8, Section 8.6 of the L106S contract as follows:

A. The City and Union agree to implement the MERP as follows:

#### **1. MANDATORY PARTICIPATION**

All current and future employees, including those enrolled in the City RHS plan, must fully and irrevocably participate in the MERP, including all monthly contributions and any conversions of leave conducted under this agreement.

## 2. MONTHLY CONTRIBUTIONS

- a) In lieu of educational incentives, the City shall make \$75 monthly contributions for eligible employees on a pre-tax basis to the Washington State Council of Firefighters (WSCFF) Employee Benefit Trust for the purposes of the MERP. Effective the first pay period following ratification the City shall increase the monthly contribution to \$100. Effective January 1, 2017 the City shall increase the monthly contribution to \$125. **Effective September 1, 2023, for employees hired before December 31, 2010, the City shall withhold \$200 in additional contributions on a pre-tax basis from (and thereby reduce) the salary of each employee and combine with the City's contribution for a total of \$325 for these employees.**
- b) Contributions will begin in the month that the employee is in paid status for the first full pay period of that month.
- c) The City will neither withhold retroactively nor prospectively.
- d) The contribution rate to the Trust shall be \$75 per month that an employee is in paid status for the full first pay period of the month. Effective the first pay period following ratification the City shall increase the monthly contribution to \$125.
- e) The Union shall have the option to request an adjustment to the contribution rate with 30 days advance written notice to the City and in accordance with the beginning of a pay period.
- f) Any additional contributions shall be on a pre-tax basis from (and thereby reduce) the salary of each employee.
- g) Any adjustments to the contribution rate shall be in accordance with IRS rules and regulations to ensure favorable tax treatment.
- h) **The City will neither withhold taxes retroactively nor prospectively from employee pay with respect to contributions to the MERP.**

## 3. CONVERSION OF RETIREE SICK LEAVE CASH OUT FOR SERVICE CREDIT IN MERP

Upon retirement, the City shall make contributions to the WSCFF Employee Benefit Trust in an amount equal to a maximum of 1,000 hours of combined, accumulated contract sick leave and WA State Paid Sick leave at the rate of 30% for LEOFF II members, provided that the maximum contribution shall be 300 hours of sick leave. The dollar amount of the contribution shall be calculated at the hourly equivalent rate of the employee's base pay. All qualifying employees must participate in the conversion and contribute the full 30% up to the 300-hour maximum into the plan thereby eliminating the cash out option. In the event the sick leave contributions are no longer applied to the MERP, they will be cashed out per Article 15, Section 1, H. Effective at ratification, sick leave contributions to the MERP will be suspended. The Union will give the City 30 days advance notice for contributions to be reinstated **based upon a vote of the Union Executive Board, and any reinstatement of sick leave contributions must be for no less than two years.**

## 4. CONVERSION OF RETIREE VACATION LEAVE BALANCE FOR SERVICE CREDIT IN MERP

~~Currently, the election of vacation leave is not an option provided under the MERP. However, if offered,~~ The Parties agree that the Union may request to open this Agreement to include the conversion of vacation balances at retirement if it meets City approval after appropriate legal, financial and administrative review, and understanding the specific terms of the agreement will be determined.

## 5. DEFENSE, INDEMNIFICATION, AND HARMLESS

The Union agrees to defend, indemnify and hold the City harmless against any and all actions, claims, proceedings, suits, orders and judgments ("Claims") brought or issued against the City or its agents

arising out of any action or inaction by the City relating in any way to the MERP, other than claims brought by the Union to enforce the obligations to make contributions as set forth above. This defense, indemnification, and hold harmless provision applies to all such Claims brought by, without limitation, any individual, business, organization, governmental unit, or other entity.

**6. RIGHT TO TERMINATE**


The City has the right to terminate this agreement upon 30 days written notice in the event the IRS issues a ruling or guidance contrary to the opinion reflected in Exhibit A to this Memorandum of Understanding. There shall be no right to terminate or revoke the provisions of this agreement when such termination or revocation would conflict with the favorable tax treatment of the contributions and conversions set forth above.

**g) COMPLIANCE WITH IRS RULES AND REGULATIONS**

This Agreement shall be administered in strict accordance with IRS rules and regulations.

DATED this 18<sup>th</sup> day of AUGUST, 2023 for IAFF Local 106S:

  
\_\_\_\_\_  
Scott Farrell  
President IAFF Local 106

  
\_\_\_\_\_  
Jason Garat  
Unit Leader IAFF Local 106S

DATED this 5<sup>th</sup> day of September, 2023 for the CITY OF BELLINGHAM:

  
\_\_\_\_\_  
Mayor

ATTEST:   
\_\_\_\_\_  
Finance Director

  
\_\_\_\_\_  
Human Resources Director



Fire Chief

**APPROVED AS TO FORM:**

A handwritten signature in blue ink, appearing to be "J. O. ...", written over a horizontal line.

Office

of the City Attorney