MEMORANDUM OF UNDERSTANDING

Between

City Of Bellingham
and
IAFF Local 106B

Modification of 457 Employer Contribution Methodology

I. PURPOSE: This Memorandum of Understanding memorializes the change in methodology used to calculate employer contributions to the 457 deferred compensation plan.

II. SCOPE: This agreement covers members of the Local IAFF 106B bargaining unit.

III. NO PRECEDENT: This agreement is limited to the circumstances addressed below and is not intended to be used precedent for any other matter.

IV. AGREEMENT:

WHEREAS, the City has a long-standing practice regarding the calculation methodology for employer contributions to the 457 deferred compensation plan;

WHEREAS, the "457 Base Wage" is the amount used by the payroll system to calculate both employee and employer 457 contributions. The 457 Base Wage includes regular paid hours and paid leave. Premiums and overtime are not included in the 457 Base Wage calculation;

WHEREAS, when an employee has 50% or more Leave Without Pay (LWOP) in a pay period, the 457 contribution calculation methodology changes to account for the employee's reduced 457 Base Wage;

WHEREAS, an employee may contribute to the 457 plan as either a percentage of pay or as a fixed dollar amount. The City provides a matching contribution up to the percentage established in the CBA (currently 6%), with the match amount determined by the employee's contribution method and eligible wages. When an employee has 50% or more LWOP in a pay period, the employee's reduced 457 Base Wage may result in a lower employer matching contribution;

WHEREAS, on January 15, 2026, IAFF 106B filed a grievance concerning the City's employer contributions to the 457 deferred compensation plan on behalf of an employee who had 50% or more Leave Without Pay (LWOP) during a pay period;

WHEREAS, the parties met to discuss a change in employer contribution calculation methodology.

NOW, THEREFORE, the parties agree to the following:

The City will eliminate the distinction between employees with less than 50% LWOP and employees with 50% or more LWOP for purposes of calculating 457 deferred compensation employer contributions.

1. Percentage-Based Contributions
   For employees who elect a percentage-based contribution:

   - Employee Election: The employee establishes a percentage contribution in accordance with the applicable deferred compensation plan requirements.
   - Employee Contribution: The City's payroll system shall deduct the employee elected percentage of the 457 Base Wage for the pay period.
   - Employer Match: The City's semi-monthly matching contribution shall equal the employee's contribution, up to an amount equal to the deferred compensation employer matching contribution percentage established in the CBA (currently 6%) of the employee's semi-monthly salary identified in Appendix A.

2. Flat-Dollar Contributions
   For employees who elect a flat-dollar contribution:

   - Employee Election: The employee establishes a flat-dollar contribution amount in accordance with the applicable deferred compensation plan requirements.
   - Employee Contribution: The payroll system shall deduct the flat-dollar amount established by the employee, provided the employee has sufficient take-home pay to make the full elected contribution.
   - No Partial Contribution: If the employee does not have sufficient take-home (net) pay to contribute 100% of the elected flat-dollar amount, no employee contribution is deducted and no employer matching contribution is made.
   - Employer Match: The City's semi-monthly matching contribution shall equal the employee's contribution, up to an amount equal to the deferred compensation employer matching contribution percentage established in the CBA (currently 6%) of the employee's semi-monthly salary identified in Appendix A.

3. The parties agree that the revised methodology established by this MOU shall be implemented prospectively, effective the first pay period following full execution of the MOU.

4. Remedy:
   The City agrees to contribute an employer match retroactively utilizing the methodology established in this MOU to employees from January 15, 2026, until the new methodology established in this MOU is adopted, provided that all retroactive contributions shall be processed and paid into the identified employees' 457 accounts within the 2026 calendar year.

The parties acknowledge that applicable annual deferred compensation contribution limits may be reached earlier as a result of the retroactive contributions. The City shall administer the retroactive contributions in accordance with applicable Internal Revenue Code requirements and plan rules. Any retroactive contribution shall be limited to the maximum amount permitted under applicable IRS contribution limits. No retroactive contribution shall be made to the extent that such contribution would cause the employee to exceed the applicable IRS contribution limit for the 2026 tax year.

5. Grievance Withdrawn: The Step 3 Grievance, originally filed on January 15, 2026, shall be withdrawn and deemed resolved by Local IAFF 106B.

DATED this _____ day of _____, 2026 for **IAFF Local 106B**:

_____ _____

IAFF Local 106 President Bellingham E Board Member

DATED this _____ day of _____, 2026 for the **CITY OF BELLINGHAM:**

_____ _____

Fire Chief Mayor

_____ _____

Finance Director Human Resources

APPROVED AS TO FORM:

_____

Office of the City Attorney