

**SIDE LETTER AGREEMENT TO THE 2019-2023 COUNTY MEMORANDA OF
UNDERSTANDING BETWEEN THE COUNTY OF ORANGE AND
THE ORANGE COUNTY EMPLOYEES ASSOCIATION**

This document serves as a Side Letter Agreement modifying the 2019-2023 County Memoranda of Understanding (“MOUs”) between the County of Orange (“County”) and the Orange County Employees Association (“OCEA”) for the Community Services Unit, County General Unit, Healthcare Professional Unit, Office Services Unit, Sheriffs Special Officer Unit, and the Supervisory Management Unit.

This agreement modifies the provisions in Article XIX (Insurance), Section 5 of the MOUs as provided below. This side letter shall be effective upon approval of the County of Orange Board of Supervisors.

Section 5. Retiree Medical Plan

A. Retiree Medical Grant

Effective the pay period beginning on June 16, 2023, the Retiree Medical Grant benefits shall be frozen. Employees shall not accumulate additional service hours or credit toward eligibility for the Retiree Medical Grant as of June 16, 2023. Cost of living adjustments (COLAs) and age adjustments, other than the 50% grant reduction at age 65 for retirees eligible for Medicare, shall cease for employees retiring effective on or after June 16, 2023.

1. Effective August 1, 1993, and as amended by the Board of Supervisors, the County implemented a Retiree Medical Plan (“the Plan”) for employees who have retired from County service and who meet certain eligibility requirements of the Plan. The Plan does not create any vested rights to the benefits on the part of any employee, retiree, or any other person.
2. As set forth pursuant to the September 2006 reopener between the parties, the County will: (a) fund the cost of the Plan; and (b) establish a trust to administer the Plan.
3. Upon paid County retirement, if eligible, a retiree shall receive a Retiree Medical Grant (Grant). The Grant may be applied only towards the cost of retiree and dependent coverage in a County-offered retiree health insurance plan and/or Medicare premiums as provided below.
 - a. Upon implementation of the Plan for eligible retirees the Grant shall be an amount based on ten (10) dollars per month for each full year of credited service in an Eligible Classification up to a maximum of twenty-five (25) years. In each fiscal year during retirement, the amount of such Grant shall be adjusted by the average percentage increase or decrease in County retiree health plan premiums no later than the effective dates of such change, not to exceed three (3) percent per year. In no case shall the Grant exceed the actual cost of the health insurance and/or Medicare premiums. The adjustments to the Grant (COLAs) based on changes to health plan premiums as referenced in this section will cease to apply for eligible retirees who retire effective on or after June 16, 2023.

b. The Grant will be adjusted as follows:

1. The Grant will be reduced by seven and one-half percent (7-1/2%) per year for each year of age the employee is less than age 60, based upon the employee's age on the date when the employee takes active retirement from OCERS. For the purpose of deferred retirement, the date on which the deferred retiree takes active retirement from OCERS will be deemed the retirement date. This provision will cease to apply for eligible retirees retiring effective on or after June 16, 2023.
 2. The Grant will be increased by seven and one-half percent (7-1/2%) per year for each year of age the employee is greater than age 60, based upon the employee's age on the date when the employee takes active retirement from OCERS. For the purposes of the Grant increase, no years of age after age 70 will be considered. For the purpose of deferred retirement, the date on which the deferred retiree takes active retirement from OCERS will be deemed the retirement date. This provision will cease to apply for eligible retirees effective on or after June 16, 2023.
 3. Sections 5.A.3.b.1 and 5.A.3.b.2 shall not apply to Disability Retirements.
 4. The Grant for all eligible retirees (including retirees on disability) and surviving dependents will be reduced by fifty percent (50%) the first day of the month the retiree or surviving dependent becomes eligible for both Medicare Part A (without paying a premium) and Medicare Part B, or immediately if the retiring employee is eligible for Medicare Part A (without paying a premium) and Medicare Part B as of the date of retirement. This provision does not apply to a retiree or surviving dependent eligible for the Grant who has attained age 65 on or prior to September 12, 2006 and is eligible for both Medicare Part A (without paying a premium) and Medicare Part B.
- c. All current employees who retire and become eligible for a Grant shall be provided a one-time opportunity of thirty (30) days to enroll in a County offered retiree health plan or elect to temporarily opt out of retiree health from the date they retire. Should a retiree fail to make an election to temporarily opt out during the aforementioned thirty (30) day period or should he or she terminate coverage or fail to make necessary payments, the retiree and dependents shall forfeit any right to a Grant, if eligible, and enrollment in a County offered retiree health plan.

B. Retiree Medical Plan Lump Sum; Termination; Phase Out

1. An employee who was employed by the County prior to June 23, 2006 and who separates from County service prior to meeting the eligibility requirements for the Grant shall receive a lump sum (Lump Sum benefit) cash payment in accordance with C.2 below. The Plan Lump Sum benefit is terminated for all new County employees hired on or after June 23, 2006.

2. An employee who is employed by the County prior to June 23, 2006, who thereafter separates from the County and who does not qualify for a Grant shall receive a Lump Sum benefit equal to one percent (1%) of his or her final average hourly compensation multiplied by his or her qualified hours of service after August 1, 1993 and prior to June 23, 2006. The final average hourly compensation shall be calculated on base salary over the six thousand two hundred forty (6240) regular paid hours immediately preceding June 23, 2006.
3. Receipt of the Grant shall permanently revoke any claim to a Lump Sum benefit even if the retiree subsequently terminates participation in a County-offered health plan and/or Grant. Receipt of the Lump Sum benefit shall permanently revoke any claim to the Grant.

C. Eligibility Requirements for Retiree Medical Grant

1. Retiree must be actively retired from the County of Orange and receiving a monthly retirement allowance from the Orange County Employees Retirement System (OCERS). New employees hired on or after June 16, 2023 are not eligible for the Grant.

Employees who were employed by the County on or before June 15, 2023 with 10 or more years of credited service as defined under the Retiree Medical Plan Document, shall be eligible for the Grant. Employees who are employed by the County as of June 16, 2023 with one or more full years of credited service, as defined under the Retiree Medical Plan Document, shall have the option to elect keep their Grant, if otherwise eligible under the Retiree Medical Plan Document, or have the County make a contribution to the County Health Reimbursement Arrangement (HRA) based on their full credited years of service. The County contribution to the HRA will be made as soon as administratively feasible on or after June 16, 2023. If an employee retires before June 16, 2023, the employee may only receive the Grant, if otherwise eligible under the Retiree Medical Plan Document, and will not be eligible to elect to receive the County HRA contribution.

The County contribution to the HRA will be \$855 for each full year of credited service, as defined under the Retiree Medical Plan Document. There will be no County contribution for partial credited years of service.

Any employee who elects the Grant shall have the value of their Grant calculated based upon the credited years of service, as defined under the Retiree Medical Plan Document, up to a maximum of 25 years. Any employee whose years of credited service is greater than 25 shall receive \$855 per each full year of eligible service beyond the 25-year cap contributed by the County to the HRA.

- a. A retiree who receives a service-connected disability retirement pension under OCERS effective before June 16, 2023 shall be eligible for a Grant equal to either ten (10) years of service or actual years of credited County service, whichever is greater.

- b. A retiree with a minimum of five (5) years of credited County service who receives a non-service connected disability retirement pension under OCERS effective before June 16, 2023 shall be eligible for a Grant based on actual years of credited County service. An employee with less than five (5) years of credited County service who receives a non-service connected disability retirement pension under OCERS shall not be eligible for a Grant.
 - c. A separated employee who has less than ten (10) years of credited County service or is under normal retirement age and has requested a service or non-service connected disability retirement pension under OCERS shall not be eligible to receive the Grant or the determination of disability status is made by the Orange County Board of Retirement.
 - d. A separated employee who receives a Lump Sum benefit pursuant to this Section shall be ineligible for the Grant if, at a later date, the Orange County Board of Retirement grants a disability retirement.
3. All eligible retirees and enrolled dependents who are age sixty-five (65) or older must be enrolled in Medicare Part B in order to be eligible for the Grant. All eligible retirees and dependents who are entitled to Medicare Part A coverage without a premium must be enrolled in Medicare Part A to be eligible to receive the Grant.
 4. Deferred Retirement
 - a. An employee who, upon separation from County service, is eligible for paid retirement and elects deferred retirement must defer participation in the Grant until such time as he or she becomes an active retiree. For employees who defer retirement, the terms and conditions governing the Grant are based on the provisions in place at the time of deferral.
 - b. An employee who is not eligible for paid retirement at the time he or she separates from County service and elects deferred retirement status shall not become eligible for participation in the Grant.
 5. For purposes of this Section, a full year of credited service shall be based upon those regular hours the employee worked for the County as a regular, limited-term and/or probationary employee. Two thousand eighty (2080) regular hours, exclusive of overtime, shall equal one (1) full year of service. Hours of service performed in periods before August 1, 1993, shall be counted toward credited service only if the employee has been continuously employed by the County from August 1, 1993 until his or her retirement.

D. Survivor Benefits

1. A surviving dependent of a retiree who was eligible to receive a Grant and who qualifies for a monthly retirement allowance shall be eligible for fifty (50) percent of the Grant authorized for the retiree.

- 2. A surviving eligible retiree who qualifies for a monthly retirement allowance who was married to a retiree who was also eligible for a Grant shall receive the survivor benefit described in D.1., above, or his or her own Grant, whichever is greater. Such retiree shall not be eligible for both Grants.

E. Opt-Out of Retiree Medical Grant and Transition to a Health Reimbursement Arrangement (HRA)

Effective June 16, 2023, employees who choose to opt out of the Retiree Medical Grant shall receive a value for their grant of \$855.00 for each full year of qualified service contributed to the employee’s HRA. The opt-out value will not be limited to a 25-year cap.

F. Transition from County Retiree Medical Grant to a Health Reimbursement Arrangement

- 1. Effective on June 16, 2023, a Health Reimbursement Arrangement (HRA) will be made available for current and future employees in these bargaining units. The County and the HRA administrator, with the oversight of the HRA Advisory Committee, shall administer the program subject to the requirements set forth in the County Health Reimbursement Arrangement Plan Document.
- 2. The County will contribute \$60.00 per pay period effective the pay period beginning on June 16, 2023 and will be increased by 2.5% annually each first full pay period beginning July 2024.

All other terms and conditions contained in the 2019-2023 Memoranda of Understanding executed between the County and OCEA not specifically amended by this Side Letter Agreement shall remain unchanged by this Side Letter Agreement.

ORANGE COUNTY EMPLOYEES ASSOCIATION:

COUNTY OF ORANGE:

 Charles Barfield Date
 General Manager

 Colette Farnes Date
 Chief Human Resources Officer

 Don Drozd Date
 General Counsel

 Jamie Newton Date
 Director, Employee & Labor Relations

 Tia Grasso Date
 Associate General Counsel