



OFFICE OF  
LABOR RELATIONS

CITY OF SACRAMENTO  
CALIFORNIA

921 10TH STREET  
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SACRAMENTO, CA  
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PH 916-264-5424  
FAX 916-264-8110

June 6, 1997

Mr. Gene Burchett, President  
Sacramento Police Officers Association  
201 Lathrop Way Suite I  
Sacramento, CA 95815

**Re: Clarification of Section 125 Agreement**

Dear Gene:

This is to clarify the agreement of the parties regarding the application of the City health and welfare contribution to non-career employees who are excluded from the Internal Revenue Service Section 125 Cafeteria Plan. It is the intention of the parties that benefit-qualified non-career employees shall continue to remain eligible for the City health and welfare contribution in the same manner as currently received pursuant to the Agreement. The contribution may be applied only to health and dental insurance premiums, and the City's dependent care reimbursement program, for so long as such plan remains in force, in the same manner as they are presently applied.

If you have any questions, please feel free to contact me.

Sincerely,

Dee Contreras  
Director of Labor Relations

cc: June Niigata, Benefits Officer  
Vijay Singhal, Principal Accountant, Payroll



OFFICE OF  
LABOR RELATIONS

CITY OF SACRAMENTO  
CALIFORNIA

926 J STREET  
ROOM 201  
SACRAMENTO, CA  
95814-2716

PH 916-264-5424  
FAX 916-264-8110

March 24, 1997

Mr. Gene Burchett, President  
Sacramento Police Officers Association  
201 Lathrop Way, Suite "I"  
Sacramento, CA 95815

**Re: Clarification of Section 125 Agreement**

Dear Mr. Burchett:

This is to clarify the agreement of the parties in the letter of understanding dated February 11, 1997 regarding the Internal Revenue Service Section 125 Cafeteria Plan. Specifically, the agreement in paragraph #12 is intended for the parties to meet and confer to establish a successor plan which will address any material changes and to maintain favorable tax treatment of the City health and welfare contribution.

If you have any questions, please feel free to contact me.

Sincerely,

Dee Contreras  
Director of Labor Relations



OFFICE OF  
LABOR RELATIONS

CITY OF SACRAMENTO  
CALIFORNIA

926 J STREET  
ROOM 201  
SACRAMENTO, CA  
95814-2716

February 11, 1997

PH 916-264-5424  
FAX 916-264-8110

Mr. Gene Burchett, President  
Sacramento Police Officers Association  
201 Lathrop Way, Suite I  
Sacramento, CA 95815

**RE: Agreement on Internal Revenue Service (IRS) Section 125 Plan**

Dear Mr. Burchett:

This is to confirm the agreement between the City of Sacramento and the Sacramento Police Officers Association covering the Police Department Unit regarding the implementation of an Internal Revenue Service (IRS) 125 Cafeteria Plan. Specifically it is agreed as follows:

1. Effective July 1, 1997 the City shall implement an IRS Section 125 Cafeteria Plan which shall replace the current distribution of the City health and welfare contribution as defined in Section 7.1 of the Agreement.
2. The Cafeteria Plan shall be applicable to all full-time and part-time career and management employees.
3. The health and welfare contribution shall be applied first to the employee contribution to retirement in the Public Employees Retirement System (PERS) or Sacramento City Employees Retirement System (SCERS) as applicable.
4. The balance of the health and welfare contribution, if any, may be utilized to purchase benefits in the cafeteria plan, including the City-sponsored health insurance, excluding domestic partner coverage; City-sponsored dental insurance; City-sponsored life insurance up to \$50,000; City-sponsored short-term disability insurance; union-sponsored long-term disability insurance and union-sponsored cancer insurance.
5. Employees covered by the Agreement who incur out-of-pocket cost for benefits selected within the cafeteria shall have premium conversion applied to allow pre-tax payment. Employees not covered by the Agreement may only purchase union-sponsored insurance with after-tax dollars.

IRS Section 125 Plan

February 11, 1997

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6. Any amount of the health and welfare contribution which is not spent in the cafeteria will be paid to the employee in cash and will be treated as taxable income.
7. Current City health and welfare contributions to deferred compensation in the City IRS Section 457 Plan will be converted to employee contributions and continue unless the employee requests a change to such contributions. All contributions to deferred compensation are not subject to income taxation.
8. Employee retirement contributions in excess of the health and welfare contribution shall not be subject to income taxation.
9. The City Dependent Care Reimbursement Program shall continue as currently applied for the duration of the Agreement. Effective July 1, 2000, only career employees then enrolled in the plan and non-career benefit-qualified employees, may continue to utilize the Plan. If there are less than ten (10) employees enrolled in the Plan at any time after July 1, 2000, the City shall have the right to terminate the Plan.
10. Effective January 1, 1998, employee(s) enrolled in the Dependent Care Reimbursement Plan shall pay an administrative fee of three dollars (\$3.00) per pay period which may be paid from the City health and welfare contribution to the plan.
11. The formula for calculation of the employee contribution for the SCERS retirement reduced plan shall be calculated by taking the individual retirement contribution rate times salary subject to SCERS less the Social Security rate times salary subject to SCERS.
12. In the event that legislation or tax regulations are enacted which materially affect the operation of the City's 125 Plan and the favorable tax status of the 125 Plan for employees, the City will meet and confer with the recognized employee organizations to establish a successor plan. Until such plan is agreed upon, the existing Plan shall remain in place and to the extent legally enforceable, existing rules shall continue to apply.

If this is your understanding of the agreement reached, please sign as indicated below and return one copy to my office. I have enclosed an additional copy with an original signature for your files. In addition I am attaching a copy of the Eligibility Rules for Health and Welfare as discussed at our last meeting.

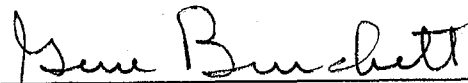
Sincerely,



Dee Contreras  
Labor Relations Director

IRS Section 125 Plan  
February 11, 1997  
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AGREED TO:

A handwritten signature in cursive script that reads "Gene Burchett". The signature is written in dark ink and is positioned above a horizontal line.

Gene Burchett, President

cc: Yvonne Berdan  
Dale Harder  
June Niigata  
Greg Norton  
Tom Sher  
Vijay Singhal  
Steve Smith

Attachment

**ALSO PLEASE  
SEE FILE  
#1603.1n FOR  
BACK-UP**