

MEMORANDUM OF UNDERSTANDING

Hutchinson Education Association
and
Independent School District 423

Establishment of VEBA with Health Reimbursement Arrangement for Active Employees

Section 1. Establishment of VEBA: Effective September 1, 2004, Employer shall make available a VEBA Plan and Trust, as defined in the Retirement Enhancement and Benefit Alternatives Program Voluntary Employees' Beneficiary Association ("VEBA Plan"), to all qualified bargaining unit members who exercise their option to enroll in the high deductible health insurance program described in Section 3, Subd. 2 of this Article ("Silver Insurance Plan"). Employer and employees assent to and ratify the appointment of the trustee plan administrator for the VEBA Plan identified in the VEBA Plan account. This arrangement constitutes a voluntary employees' beneficiary association under Section 501(c)(9) of the Internal Revenue Code.

Section 2 Payment of Administrative Fee. Administrative fees allocable to the individual accounts of active employees who are active participants in the VEBA Plan shall be paid by the employer. Administrative fees allocable to individual accounts of active employees who have accrued a balance in the VEBA Plan but change coverage, so that they are no longer entitled to employer contributions, shall be paid from the account. Administrative fees allocable to individual accounts of former employees shall be paid from the account. Administrative fees allocable to individual accounts of retirees shall be paid from the account. If the VEBA Plan is terminated, or if Employer Contributions cease by agreement between the parties, administrative fees shall be paid from the account.

Section 3. Employer Contributions to the Health Reimbursement Arrangement for Active Employees:

Subd.1. Contributions to the Active Employees' Plan:

Employer will make an annual contribution to individual accounts under the health reimbursement arrangement for qualified bargaining unit members in accordance with the Silver Insurance Plan described in Subd. 2 of this section.

The contribution will be made on a monthly basis over the VEBA Plan year. VEBA contributions will be prorated for those employees whose employment begins after the start of the plan year.

All contributions on behalf of a VEBA Plan participant shall cease on the date the participant is no longer covered under the Silver Insurance Plan.

Subd.2. Silver Insurance Plan: Employer shall make available a high deductible health plan described in detail in the "Group #53712 Silver Plan Document" as an option to all qualified bargaining members who elect to participate in such plan.

Subd.3. VEBA Contribution: The VEBA contribution will consist of the difference in the plan premium between the Gold and Silver insurance plans for type of elected coverage.