

Mayor's Time Stamp

RECEIVED

'97 DEC 11 PM 4:14

DEPUTY MAYOR

TIME LIMIT FILES
ORDINANCES

FORTHWITH

RECEIVED
CITY CLERK'S OFFICE

City Clerk's Time Stamp

97 DEC 11 PM 4:12

CITY CLERK

BY

DEPUTY

COUNCIL FILE NUMBER 96-1422

COUNCIL DISTRICT

COUNCIL APPROVAL DATE DECEMBER 9, 1997

LAST DAY FOR MAYOR TO ACT

DEC 22 1997

ORDINANCE TYPE: ☐ Ord of Intent ☐ Zoning ☐ Personnel ☐ General

☐ Improvement ☐ LAMC ☒ XX LAAC ☐ CU or Var Appeals - CPC No

SUBJECT MATTER: ORDINANCE AMENDING SECTION 4.1103.3 OF DIVISION 4 OF THE LOS ANGELES ADMINISTRATIVE CODE, SO AS TO ELIMINATE THE REMAINING PHASE-IN PERIOD FOR THE SURVIVING SPOUSE HEALTH INSURANCE PREMIUM

RECOMMENDATIONS:

APPROVED

DISAPPROVED

PLANNING COMMISSION

DIRECTOR OF PLANNING

CITY ATTORNEY

CITY ADMINISTRATIVE OFFICER

OTHER: B&F Comte and CERS

XXX

XXX

Scanned
in CF
folder

DATE OF MAYOR APPROVAL, DEEMED APPROVED OR *VETO: DEC 15 1997
*VETOED ORDINANCES MUST BE ACCOMPANIED WITH OBJECTIONS IN WRITING PURSUANT TO CHARTER SEC. 29

(CITY CLERK USE ONLY PLEASE DO NOT WRITE BELOW THIS LINE)

DATE RECEIVED FROM MAYOR 12-15-97 ORDINANCE NO. 171854

DATE PUBLISHED 12-18-97 DATE POSTED _____ EFFECTIVE DATE 12/18/97

ORD OF INTENT: HEARING DATE _____ ASSESSMENT CONFIRMATION _____

NOTIFY: CAO - EMPLOYEE RELATIONS DIVISION

RECEIVED
CITY CLERK'S OFFICE
97 DEC 15 PM 1:17

CITY CLERK
BY _____
DEPUTY

ORDINANCE NO. 171854

An ordinance amending Section 4.1103.3 of Division 4 of the Los Angeles Administrative Code, so as to eliminate the remaining phase-in period for the Surviving Spouse Health Insurance Premium.

**THE PEOPLE OF THE CITY OF LOS ANGELES
DO ORDAIN AS FOLLOWS:**

Section 1: Subsection (e) of Section 4.1103.3 of the Los Angeles Administrative Code is hereby amended to read as follows:

(e) From October 2, 1996 through the end of the month in which this subsection becomes effective, the health insurance subsidy for a surviving spouse shall be one-half of the formula as provided in Subsections (b) and (c) above.

Sec. 2. The City Clerk shall certify to the passage of this ordinance and cause the same to be published in some daily newspaper printed and published in the City of Los Angeles.

I hereby certify that the foregoing ordinance was introduced at the meeting of the Council of the City of Los Angeles on October 31, 1997, and was passed by a vote of not less than two-thirds of all of its members, at its meeting of December 9, 1997.

J. MICHAEL CAREY, City Clerk

By *[Signature]*

Deputy

Approved DEC 15 1997

[Signature]
Mayor *sn*

October 28, 1997

Approved as to Form and Legality
James K. Hahn, City Attorney

By *[Signature]*

Donna Weisz Jones
Assistant City Attorney

File No. *96-1472*

COMMUNICATION

File No. 96-1422

TO: THE LOS ANGELES CITY COUNCIL

FROM: COUNCIL MEMBER RICHARD ALATORRE, Chair
BUDGET AND FINANCE COMMITTEE

Public Comments: Yes No
XX

COMMUNICATION FROM CHAIR, BUDGET AND FINANCE COMMITTEE and ORDINANCE relative to the elimination of phase-in period for continuation of health subsidy benefit to surviving spouses.

Recommendations for Council action, as recommended by the City Administrative Officer:

1. APPROVE the elimination of the remaining phase-in period for the surviving spouse health subsidy continuance.
2. PRESENT and ADOPT the accompanying ordinance amending Los Angeles Administrative Code Section 4.1103.3 implementing the elimination of the remaining phase-in period for the surviving spouse health subsidy continuance.

(Ordinance to be considered again on second presentation at a public hearing scheduled before Council on December 2, 1997, as required by Charter Section 512.2)

3. HOLD a public hearing before the full City Council to consider the proposed elimination of phase-in period for continuation of health subsidy benefit to surviving spouses, 30 days after the implementing ordinance is presented to Council; and to further present the actuarial evaluation relative to the cost of the changes proposed in the subject ordinance to be submitted in writing, at the December 2, 1997, public hearing, pursuant to Charter Section 512.2.

Fiscal Impact Statement: The City Administrative Officer (CAO) reports that in a letter dated June 3, 1996, the actuary for the City Employees' Retirement System estimated the additional cost of the full benefit would be less than 0.001% of payroll or approximately \$10,000 in each of the next two years.

Summary:

In his report dated 9-29-97, the City Administrative Officer (CAO) states that on October 1, 1996, the Council approved the extension of health subsidy benefits to the survivors (widows and widowers) of City Employees' Retirement System (CERS) members. Previously, when a CERS member died, the health subsidy ceased. His or her survivor was allowed to enroll in the City's group health plans, but had to pay the full cost of the premium. The recently approved benefit phases in a

health subsidy for the survivor, at half of the Kaiser single party rate for the next three years; and the full single party Kaiser rate thereafter. Survivors who have Medicare party "A" coverage also are entitled to a Medicare reimbursement.

At the Budget and Finance Committee meeting on August 13, 1997, the retirees' representative on the CERS Board of Administration, acting on behalf of the retirees, requested that the remaining two years of the phase-in period be eliminated. The CAO states that the cost would be de minimis.

On 10-21-97 the Chair of the Budget and Finance Committee concurred with the recommendations of the City Administrative Officer and submits this matter for Council consideration.

Respectfully submitted,

COUNCIL MEMBER RICHARD ALATORRE, Chair
BUDGET AND FINANCE COMMITTEE

AB
10-21-97

ADOPTED
MOTION ADOPTED TO APPROVE COMMUNICATION RECOMMENDATION

OCT 31 1997

Ord over to Dec. 2, 1997, Pursuant to Charter
Los Angeles City Council Sect. 512.2

Ord
ADOPTED

DEC 09 1997

LOS ANGELES CITY COUNCIL
Pub. hrg closed
TO THE MAYOR FORTHWITH

Ord adopted

AGENDA NO. 7 YES: 14 NO: 0 ABE: 1 12/09/97
ALATORRE.....YES BERNDON.....YES CHICK.....YES FEUER.....YES
GALANTER.....YES GOLDBERG.....YES HERNANDEZ.....YES HOLDEN.....YES
HISCIKOWSKI.....YES RIDLEY-THOMASYES OVORINICH.....YES WACHS.....YES
WALTERS.....YES FERRARO.....YES ALARCON.....ABE

TIME:
11 39 02

AGENDA NO. 3 YES: 13 NO: 0 ABE: 2 10/31/97
ALARCON.....YES ALATORRE.....YES BERNDON.....YES CHICK.....YES
FEUER.....YES GALANTER.....YES GOLDBERG.....YES HERNANDEZ.....YES
HOLDEN.....YES HISCIKOWSKI.....YES RIDLEY-THOMASYES OVORINICH.....YES
WACHS.....YES WALTERS.....ABE FERRARO.....ABE

TIME:
11 59 08

OCT 31 1997

NOTION VOTING 11 59 08 10/31/97
ADOBES

J. MICHAEL CAREY
City Clerk

When making inquiries
relative to this matter
refer to File No.

CITY OF LOS ANGELES

CALIFORNIA



RICHARD J. RIORDAN
MAYOR

Office of
CITY CLERK
Council and Public Services
Room 395, City Hall
Los Angeles, CA 90012
Council File Information - (213) 485-5703
General Information - (213) 485-5705

Pat Healy
Chief Legislative Assistant

96-1422

December 29, 1997

City Administrative Officer,
Employee Relations Division
City Employees Retirement System

Chief Legislative Analyst
Personnel Department

RE: ORDINANCE AMENDING SECTION 4.1103.3 OF DIVISION 4 OF THE LOS ANGELES
ADMINISTRATIVE CODE, SO AS TO ELIMINATE THE REMAINING PHASE-IN PERIOD
FOR THE SURVIVING SPOUSE HEALTH INSURANCE PREMIUM

At the meeting of the Council held October 31, 1997, the following
action was taken:

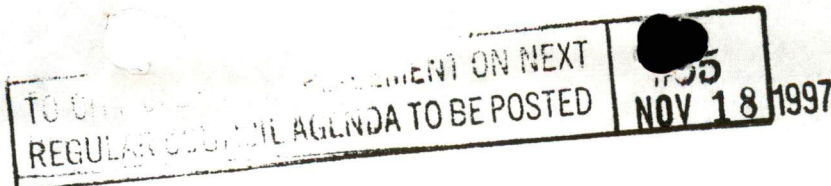
Attached report adopted.....	_____
" motion " ().....	_____
" resolution adopted, as amended (Ferraro - Svorinich)....	11-25-97
Ordinance adopted.....	12-09-97
Motion adopted to approve attached report.....	_____
" " " " " communication.....	X
To the Mayor FORTHWITH.....	12-09-97
Ordinance Number.....	171854
Publication date.....	12-18-97
Effective date.....	12-18-97
Mayor vetoed.....	_____
Mayor approved.....	12-15-97
Mayor failed to act - deemed approved.....	_____
Findings adopted.....	_____
Negative Declaration adopted.....	_____
Categorically exempt.....	_____

J. Michael Carey

City Clerk
jv
steno\961422

PLACE IN FILES
DEC 31 1997
DEPUTY





R E S O L U T I O N

NOW, THEREFORE, BE IT RESOLVED, that the City Council of the City of Los Angeles hereby establishes a Council recess date for Tuesday, December 2, 1997 as permitted by Charter Section 22.

BE IT FURTHER RESOLVED, that the following public hearings scheduled for December 2, 1997, be rescheduled for December 9, 1997; and that the City Clerk be requested to notify the interest parties as required by law:

96-1422 - HEARING COMMENTS relative to ORDINANCE SECOND PRESENTATION amending the Los Angeles Administrative Code (LAAC) to eliminate phase-in period for continuation of the retiree health subsidy benefit to surviving spouses.

[Pursuant to adoption of Budget and Finance Committee Report on October 31, 1997, and Charter Section 512.2]

96-0260 - CONTINUED CONSIDERATION OF HEARING APPEALS or
CD 1 OBJECTIONS to Building and Safety Department Report and confirmation of assessment to cover costs of barricading building and cleaning and fencing of the lot at 1102-08 West Washington Boulevard.
(Assessment: \$4,783.76)

(Continued from Council meeting of October 28, 1997)

97-1405 - CONTINUED CONSIDERATION OF HEARING APPEALS or
CD 15 OBJECTIONS to Building and Safety Department Report and confirmation of assessment to cover cost of barricading the building and cleaning the lot at 9910 Compton Avenue.
(Assessment: \$2,190.72)

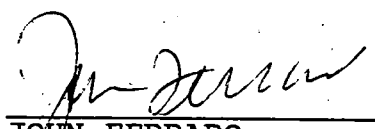
(Continued from Council meeting of October 28, 1997)

NOV 25 1997 - REFERRED TO PUBLIC WORKS

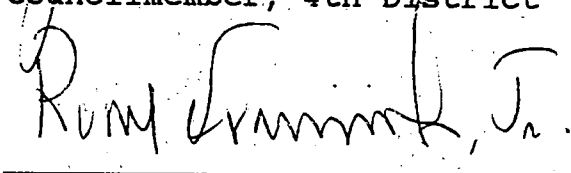
- *97-1464 - CONSIDERATION OF REPORT BY BUREAU OF ENGINEERING
CD 9 relative to naming the pedestrian bridge at 221 North Figueroa as Calvin Hamilton Pedestrian Way in memory of the former Director of City Planning and instructing the Structural and Geotechnical Engineering Division of the Bureau of Engineering to prepare a suitable plaque memorializing this action.

(Continued from Council meeting of September 30, 1997)

PRESENTED BY


JOHN FERRARO
Councilmember, 4th District

SECONDED BY


RUDY SVORINICH
Councilmember, 15th District

RESOL
ADOPTED
*AS AMENDED
NOV 25 1997

November 18, 1997

CF 97-0001
calagend/recess.122

Los Angeles City Council

FORTHWITH

ORDINANCE NO. _____

An ordinance amending Section 4.1103.3 of Division 4 of the Los Angeles Administrative Code, so as to eliminate the remaining phase-in period for the Surviving Spouse Health Insurance Premium.

**THE PEOPLE OF THE CITY OF LOS ANGELES
DO ORDAIN AS FOLLOWS:**

Section 1: Subsection (e) of Section 4.1103.3 of the Los Angeles Administrative Code is hereby amended to read as follows:

(e) From October 2, 1996 through the end of the month in which this subsection becomes effective, the health insurance subsidy for a surviving spouse shall be one-half of the formula as provided in Subsections (b) and (c) above.

Sec. 2. The City Clerk shall certify to the passage of this ordinance and cause the same to be published in some daily newspaper printed and published in the City of Los Angeles.

I hereby certify that the foregoing ordinance was introduced at the meeting of the Council of the City of Los Angeles on October 31, 1997, and was passed by a vote of not less than two-thirds of all of its members, at its meeting of December 9, 1997.

J. MICHAEL CAREY, City Clerk

By *Quian M. Tiller*

Deputy

Approved _____

Mayor

October 28, 1997

Approved as to Form and Legality
James K. Hahn, City Attorney

By *Donna Weisz Jones*
Donna Weisz Jones
Assistant City Attorney

File No. *96-1472*



JAMES K. HAHN
CITY ATTORNEY

Office of the City Attorney
Los Angeles, California

CRIMINAL BRANCH
(213) 485-5452

CIVIL BRANCH
(213) 485-6370

WRITER'S DIRECT DIAL

NUMBER (213)485-4917

REPORT NO. **R 9 7 - 0 3 5 4**
OCT 2 8 1997

REPORT RE:

**DRAFT ORDINANCE AMENDING DIVISION 4
OF THE LOS ANGELES ADMINISTRATIVE CODE BY AMENDING
SECTION 4.1103.3 OF TO CHAPTER 11 TO PROVIDE OPTIONS FOR
SURVIVOR BENEFITS AND DOMESTIC RELATIONS ORDERS**

The Honorable City Council
City Council, City of Los Angeles
Room 395, City Hall
Los Angeles, CA 90012

Honorable Members:

This office has prepared a draft of a proposed ordinance to amend the Los Angeles Administrative Code. The proposed ordinance eliminates the remaining two years of a three year phase-in period for the retiree health subsidy survivor benefit.

This ordinance may be adopted by the City Council pursuant to the provisions of Section 512.2 of the City Charter subject to the following requirements:

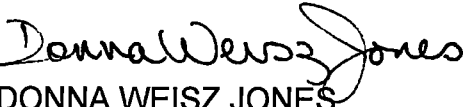
"(a) Ordinance adopted pursuant to this section must be approved by not less than two-thirds of the membership of the Council, subject to the veto of the Mayor and readoption by the Council in the same manner as other ordinances requiring a two-thirds vote. No such ordinance may be finally adopted by the Council until the expiration of at least thirty days after its first presentation to the Council, nor until after a public hearing has been held thereon."



Section 512.2 of the Charter provides that as a further condition to the final adoption of the proposed ordinance, an enrolled actuary must advise the Council, in writing, of the cost of the benefit increases.

Very truly yours,

JAMES K. HAHN, City Attorney

By 
DONNA WEISZ JONES
Assistant City Attorney
Retirement Benefits Division



June 3, 1996

The Wyatt Company

Suite 700
15303 Ventura Boulevard
Sherman Oaks, CA 91403-3197
Telephone 818 906 2631
Fax 818 906 2097

Ms. Mary Higgins
Office of the City Administrative Officer
City of Los Angeles
300 City Hall East
Los Angeles, CA 90012-4190

RE: Continuation of Health Subsidy Benefits to Surviving Spouses at Kaiser rates

Dear Mary:

We have determined the cost impact of continuing health subsidies to eligible spouses after the death of current and future retirees under the City Employees' Retirement System (CERS). We have also determined the cost of allowing current surviving spouses to elect coverage for the health subsidies.

We have valued the beneficiaries subsidy as being the lesser of the retiree's subsidy and 100% of the Kaiser retiree-only rate. However, for the first 3 years, the subsidy has been limited to 50% of the Kaiser rate. The current monthly Kaiser retiree-only rates are as follows:

Under 65	\$217.76
Over 65	\$19.33

We have estimated the City's costs to increase as follows:

	<u>Spouses of Future Retirees*</u>	<u>Spouses of Current Retirees</u>	<u>Current Surviving Spouses</u>	<u>Total</u>
Increase in contributions, as percent of pay				
Normal Cost	0.019%	0.000%	0.000%	0.019%
Amortization of UAAL	0.048%	0.026%	0.041%	0.115%
Total increase in Contributions	0.067%	0.026%	0.041%	0.134%
Increase in Present Value of Benefits				
Dollars	\$6.4	\$5.5	\$8.7	\$20.6
Percent	1.3%	1.1%	1.7%	4.1%

(* Current Active Members)

ACTUARIAL REPORT

CITY

'97 OCT 20 P4:04

CITY OF

BY



Though the limit to the subsidy will increase after three years, the additional cost beginning with the fourth year is not significant (less than 0.001%). The expected number of active Members who would retire and then die in the next three years is very small; the increase in cost shown in the preceding table reflects the long term increase.

If the City also picks up the beneficiary's Medicare Part B premium, then we estimate the **total cost** of both the subsidy and the Medicare premium to increase as follows:

	<u>Spouses of Future Retirees*</u>	<u>Spouses of Current Retirees</u>	<u>Current Surviving Spouses</u>	<u>Total</u>
Increase in contributions, as percent of pay				
Normal Cost	0.054%	0.000%	0.000%	0.054%
Amortization of UAAL	<u>0.099%</u>	<u>0.085%</u>	<u>0.089%</u>	<u>0.273%</u>
Total increase in Contributions	0.153%	0.085%	0.089%	0.327%
Increase in Present Value of Benefits				
Dollars	\$19.1	\$18.0	\$18.8	\$55.9
Percent	3.8%	3.5%	3.7%	11.0%

These figures reflect the full Medicare premium for all years. No cap was applied to this amount for years one through three.

Our calculations are based on actuarial assumptions and Member information as of June 30, 1995. As of that date, there were over 2,700 surviving spouses. In our calculations, we assumed that 70% of this group would elect health care coverage under CERS.

Ms. Mary Higgins
June 3, 1996
Page 3



Please call us if you have any questions.

Sincerely,

Sharon A. Peake, FSA
Consulting Actuary

Judy C. Ocaya, FSA
Consulting Actuary

SAP, JCO:MC

p:\acers\hlthsub2.ltr

c: Oscar Peters, CERS
Lorraine Osuna, CERS

AGREEMENT FOR RECIPROCAL BENEFITS
BETWEEN THE
BOARD OF ADMINISTRATION OF THE
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
AND THE
CITY OF LOS ANGELES AND
THE BOARD OF ADMINISTRATION FOR
THE CITY EMPLOYEES' RETIREMENT SYSTEM

The Board of Administration, Public Employees' Retirement System, hereinafter referred to as Board, and the governing body of the City Employees' Retirement System, hereinafter referred to as "Public Agency", hereby agree to extend each to the other reciprocal benefits as provided by Sections 20351, 20353, 31840.2 and 45310.5 of the Government Code, which benefits are more particularly set forth in the memorandum Uniform Reciprocal Provisions attached hereto and incorporated herein.

The parties hereto agree that this agreement shall be in effect on and after the effective date of the Public Agency's ordinance providing for reciprocal benefits, that date being July 14, 1997.

WHEREFORE, the parties have executed this agreement on the date and place hereinafter set forth.

Date: _____

BOARD OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

By _____
DIVISION CHIEF
ACTUARIAL & EMPLOYER
SERVICES DIVISION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Date: 7/8/97

CITY OF LOS ANGELES

By John Ferraro
JOHN FERRARO
President
Los Angeles City Council

By

W. A. Doheny
WILLIAM DOHENY

President

Board of Administration

City Employees' Retirement System

Approved as to form:

JAMES K. HAHN

City Attorney

By Gavriel J. Embury

Attest:

J. MICHAEL CAREY

City Clerk

By Dorlene Boya
Deputy



CITY

LOS ANGELES SPEAKER

D

Date

10/21/96

Council File No., Agenda Item, or Case No.

96-1422 #3

I wish to speak before the

Budget & Finance Comm

Name of City Agency, Department, Committee or Council

Do you wish to provide general public comment, or to speak for or against a proposal on the agenda? ☒ For proposal☐ Against proposal☐ General comments

Name: Ken Spiker

Business or Organization Affiliation:

Retired Employees Assoc. - Ken Spiker & Assoc. Inc

Address:

14156 Magnolia Ave

SHEPHERD PARKS

CA

90027

Street

City

State

Zip

Business phone:

818 9906145

Representing:

L.A. City Retired Employees Assoc.

CHECK HERE IF YOU ARE A PAID SPEAKER AND PROVIDE CLIENT INFORMATION BELOW:



Client Name:

L.A. City Retired Employees Assoc.

Phone #:

818 9906145

Client Address:

14156 Magnolia Ave

SHEPHERD PARKS

CA

90027

Street

City

State

Zip

Please see reverse of card for important information and submit this entire card to the presiding officer or chairperson.

J. MICHAEL CAREY
City Clerk

When making inquiries
relative to this matter
refer to File No.

CITY OF LOS ANGELES
CALIFORNIA



RICHARD J. RIORDAN
MAYOR

Office of
CITY CLERK
Council and Public Services
Room 395, City Hall
Los Angeles, CA 90012
Council File Information - (213) 485-5703
General Information - (213) 485-5705

Pat Healy
Chief Legislative Assistant

96-1422

October 2, 1997

BUDGET & FINANCE COMMITTEE

In accordance with Council Rules, communication from the City Administrative Officer relative to elimination of phase-in period for continuation of health subsidy benefit to surviving spouses, was referred on October 1, 1997, to the BUDGET & FINANCE COMMITTEE.

J. Michael Carey
City Clerk
amm



REPORT FROM**CITY ADMINISTRATIVE OFFICER**

TO	DATE	CAO FILE No.
The Budget and Finance Committee	09-29-97	
REFERENCE		COUNCIL FILE No.
Oral Request of the Chairman at the meeting of August 13, 1997		
SUBJECT		COUNCIL DISTRICT
ELIMINATION OF PHASE-IN PERIOD FOR CONTINUATION OF HEALTH SUBSIDY BENEFIT TO SURVIVING SPOUSES		

SUMMARY

On October 1, 1996, the Council approved the extension of health subsidy benefits to the survivors (widows and widowers) of City Employees' Retirement System (CERS) members (C.F. 96-1422). Previously, when a CERS member died, the health subsidy ceased. His or her survivor was allowed to enroll in the City's group health plans, but had to pay the full cost of the premium. The recently approved benefit phases in a health subsidy for the survivor, at half of the Kaiser single party rate for the next three years; and the full single party Kaiser rate thereafter. Survivors who have Medicare part "A" coverage also are entitled to a Medicare reimbursement.

At the Committee's meeting on August 13, 1997, Ken Spiker, the retirees' representative on the CERS Board of Administration, acting on behalf of the retirees, requested that the remaining two years of the phase-in period be eliminated. The cost would be de minimis.

This change requires an ordinance to implement.

FISCAL IMPACT

In a letter dated June 3, 1996, the actuary for the City Employees' Retirement System estimated the additional cost of the full benefit would be less than 0.001% of payroll or approximately \$10,000 in each of the next two years.

(Recommendations attached)

BUDGET AND FINANCE**OCT 1 1997**
CITY ADMINISTRATIVE OFFICER

CITY

'97 SEP 30 A7:22

CITY CLEAR

BY: _____

RECOMMENDATIONS

That the Council, subject to the approval of the Mayor:

1. Approve the elimination of the remaining phase-in period for the surviving spouse health subsidy continuance; and
2. Instruct the preparation of the necessary ordinances to implement the elimination of the remaining phase-in period for the surviving spouse health subsidy continuance.

KC:MCH:sr

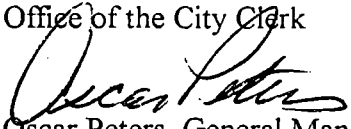
12sr0561

CITY OF LOS ANGELES
INTERDEPARTMENTAL CORRESPONDENCE

CF 96-1422

DATE: July 9, 1997

TO: Pat Healy, Chief of Council and Public Services
Office of the City Clerk

FROM: 
Oscar Peters, General Manager
City Employees' Retirement System

SUBJECT: **AGREEMENT FOR RECIPROCAL BENEFITS WITH PERS**

Attached is a copy of the signed Agreement For Reciprocity. I believe you need to attach an ordinance and some other information which we need to forward to the Public Employees' Retirement System (PERS) on our behalf.

Please call our office when the package has been completed so that our messenger can pick it up so that we can send it express mail to PERS.

OP:fm

Attachment

BUDGET AND FINANCE COMMITTEE
SUGGESTED NOTIFICATION OF COUNCIL ACTION
Council File No. _____

<input type="checkbox"/>	Petitioner/Communicant _____	
<input type="checkbox"/>	Councilperson(s) _____	
<input checked="" type="checkbox"/>	City Administrative Officer	(Mail Stop 130)
<input checked="" type="checkbox"/>	Chief Legislative Analyst	(Mail Stop 136)
<input type="checkbox"/>	City Attorney	(Mail Stop 140)
<input type="checkbox"/>	Controller	(Mail Stop 183)
<input type="checkbox"/>	Treasurer	(Mail Stop 750)
<input type="checkbox"/>	Information Services Department	(Mail Stop 232)
<input type="checkbox"/>	Building and Safety	(Mail Stop 115)
<input type="checkbox"/>	City Clerk Tax and Permit	(Mail Stop 170)
<input type="checkbox"/>	Fire Commission / Department	(Mail Stop 250)
<input type="checkbox"/>	General Services	(Mail Stop 508)
<input checked="" type="checkbox"/>	Personnel Department	(Mail Stop 391)
<input type="checkbox"/>	Planning	(Mail Stop 395)
<input type="checkbox"/>	Police Commission / Department	(Mail Stop 400)
<input type="checkbox"/>	Public Works (Board)	(Mail Stop 465)
<input type="checkbox"/>	Public Works - Bureau of Engineering	(Mail Stop 490)
<input type="checkbox"/>	Transportation	(Mail Stop 725)
<input type="checkbox"/>	Water and Power	(Mail Stop 800)
<input checked="" type="checkbox"/>	<i>City</i> <u>Employee Retirement</u>	(Mail Stop ____)

J. MICHAEL CAREY
City Clerk

When making inquiries
relative to this matter
refer to File No.

CITY OF LOS ANGELES
CALIFORNIA



RICHARD J. RIORDAN
MAYOR

Office of
CITY CLERK
Council and Public Services
Room 395, City Hall
Los Angeles, CA 90012
Council File Information - (213) 485-5703
General Information - (213) 485-5705

Pat Healy
Chief Legislative Assistant

96-1422

July 16, 1997

City Administrative Officer
City Attorney
City Employees Retirement System

CALPERS
S. Dawn Evans, Employee Rep.
Public Agency Contract Services
Actuary & Employer Services Div.
P.O. Box 942709
Sacramento, CA 94229-2709

PLACE IN FILES

JUL 23 1997

DEPUTY

RE: CREATING RECIPROCITY BETWEEN THE CALIFORNIA PUBLIC EMPLOYEES'
RETIREMENT SYSTEM AND OTHER PUBLIC AGENCIES AND THE CITY EMPLOYEES'
RETIREMENT SYSTEM

At the meeting of the Council held June 3, 1997, the following
action was taken:

Attached report adopted.....	X
" motion " ().....	
" resolution " ().....	
Ordinance adopted.....	7-08-97
Motion adopted to approve attached report.....	
" " " " " communication.....	
To the Mayor FORTHWITH.....	7-08-97
Ordinance Number.....	171656
Publication date.....	7-14-97
Effective date.....	7-14-97
Mayor vetoed.....	
Mayor approved.....	7-11-97
Mayor failed to act - deemed approved.....	
Actuarial evaluation report noted and filed.....	7-08-97
Findings adopted.....	
Negative Declaration adopted.....	
Categorically exempt.....	
Generally exempt.....	
EIR certified.....	
Tract map approved for filing with the County Recorder.....	
Parcel map approved for filing with the County Recorder.....	
Bond approved is No. _____ of Contract.....	
Agreement mentioned therein is/are No. _____	
_____ of contracts.....	

J. Michael Carey

City Clerk
crm



City Clerk's Time Stamp

'97 JUL -8 P12:05

CALAGENDA\961422.ORD

RECEIVED
CITY CLERK'S OFFICE

97 JUL 11 PM 1:33

CITY CLERK
BY _____
DEPUTY

JUL 8 1997

JUL 11 1997

JUL 11 1997

JUL 11 1997

ORDINANCE NO. 171656

An ordinance amending Division 4 of the Los Angeles Administrative Code by adding Section 4.1065 to Chapter 10 thereof, so as to provide for Reciprocity with the Public Employees' Retirement System.

THE PEOPLE OF THE CITY OF LOS ANGELES
DO ORDAIN AS FOLLOWS:

Section 1. Division 4 of the Los Angeles Administrative Code is hereby amended by adding Section 4.1065 to Chapter 10 thereof, to read as follows:

**Sec. 4.1065. Reciprocal Benefits with the Public Employees'
Retirement System**

(a) Uniform Reciprocal Provisions

The purpose of these reciprocal provisions is to extend to the members of other public agency retirement systems (hereinafter "reciprocal system") which adopt similar reciprocal provisions into their retirement ordinances or plans pursuant to Sections 20351, 20353, 31840.2 and 45310.5 of the Government Code, and who by contract agree to extend the benefits thereof to the City Employees Retirement System (hereinafter "this system"), the following rights in this system, provided such member enters into employment under this system or the reciprocal system within six months of terminating his or her employment under such other or this system:

(1) Notwithstanding any provisions of this plan or a reciprocal system plan in the matter of vesting, a member whose movement between systems occurs as herein specified shall have the right to elect to leave his or her accumulated contributions on deposit irrespective of the amount of such contributions or the length of service credited to him or her.

(2) The age of entry for a person entering this system for purposes of fixing member contribution rates from a reciprocal system shall be his or her age at entry into such reciprocal system.

(3) The average monthly salary during any period of service as a member of a reciprocal system shall be considered compensation earnable by a member of this system for purposes of computing final compensation for such member, provided he or she retires concurrently under both systems and is credited with such period of service under the reciprocal system at the time of retirement.

(4) Service, solely for purposes of meeting minimum service qualifications for benefits and retirement allowances under this system, shall also include service rendered as an officer or employee of a reciprocal system if the salary for such service constitutes compensation earnable by a member of this system.

(5) A member shall be retired for disability and receive a retirement allowance based on the service credited to him or her at the time of retirement during any period in which he or she receives a disability retirement allowance under a reciprocal system; provided, that such allowance shall not exceed an amount which when added to the allowance paid under the reciprocal system equals the allowance which would be paid for a non-industrial disability if all the member's service had been credited under the reciprocal system; and provided further, that such allowance shall in no event be less than an annuity which is the actuarial equivalent of the member's contributions, whether or not the disability is for industrial reasons.

(6) The death benefit for a member who dies from non-industrial causes as a member of a reciprocal system shall not exceed an amount which when added to the death benefit paid for such member under the reciprocal system equals the maximum death benefit payable under that system; provided, however, that such death benefit shall be at least the amount of the accumulated contributions; and, provided further, that if death is caused by industrial injury or disease in the reciprocal system the death benefit shall be the amount of the member's accumulated contributions.

(7) The governing body of this system shall on the request of a reciprocal system supply information and

data necessary for administration of such system as it is affected by membership in and service credited under this system.

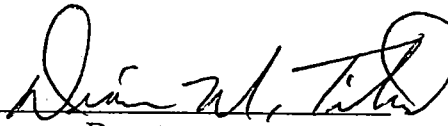
(8) Interpretation of these provisions shall be made with reference to interpretations that have been made relative to the Public Employees' Retirement System - 1937 Act County Employees' Retirement reciprocal provisions upon which they are based.

(9) These provisions shall apply only to a member whose termination and entry into employment resulting in a change in membership from this system to such other system or from such other system to this system occurred after such acceptance by the board or after the effective date specified in the agreement; provided, however, that provisions relating to computation of final compensation shall apply to any other member if such provision would have applied had the termination and entry into employment occurred after such acceptance or determination by a system's governing board.

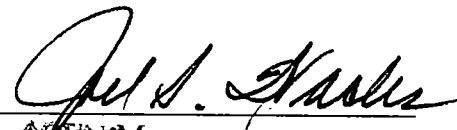
(10) Rights under this System shall be modified as necessary to conform to amendments to the Public Employees' Retirement Law or the County Employees' Retirement Law of 1937 as provided in Section 20353, Government Code.

Sec. 2. The City Clerk shall certify to the passage of this ordinance and cause the same to be published in some daily newspaper printed and published in the City of Los Angeles.

I hereby certify that the foregoing ordinance was introduced at the meeting of the council of the City of Los Angeles, by a vote of not less than two-thirds of all of its members, at the meeting of JUN 03 1997 and was passed at its meeting of JUL 08 1997
J. MICHAEL CAREY, City Clerk

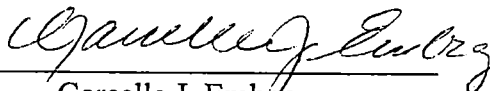
By 
Deputy


Approved JUL 11 1997


~~Acting~~ Mayor

Approved as to Form and Legality

James K. Hahn, City Attorney

By 
Garcelle J. Embry
Deputy City Attorney

By 
John C. Blair
Deputy City Attorney

CF 96-1422

Petitioner(s)/communicant(s) _____

Council office(s) _____

Mayor

✓ City Administrative Officer

✓ City Attorney

Chief Legislative Analyst

Controller

Treasurer

✓ CERS

✓ CALPERS

Aging

Library

Airports

Personnel

Animal Regulation

Planning

Building & Safety

Police Dept. / Commission

City Clerk, Calendar Sec.

Board of Public Works

City Clerk, Admin. Svcs.

PW - Bur. of Accounting

City Clerk, Tax & Permit

PW - Bur. of Engineering

City Clerk, Exec. Ofcr.

cc: Sheryl Moore, Work Order Sect., Stop 490

Community Development Dept.

PW - Bur. of Sanitation

Convention Center Dept.

PW - Bur. of Street Maint.

Cultural Affairs

PW - Bur. of Street Lighting

PW - Management/Employee Svcs

Environmental Affairs

Recreation & Parks

Ethics Commission

Telecommunications

Fire Dept. / Commission

Transportation

General Services

Water & Power

Harbor

Dept. _____

SD

Dept. _____

ports\notif'ns

LOS ANGELES CITY COUNCIL AGENDA
TUESDAY, JULY 8, 1997
COUNCIL CHAMBER - ROOM 340, CITY HALL - 10 AM

ROLL CALL

APPROVAL OF THE MINUTES OF THE COUNCIL MEETING OF JULY 1, 1997

COMMENDATORY RESOLUTIONS AND INTRODUCTIONS

PUBLIC TESTIMONY ON NON-AGENDA ITEMS AT THE CALL OF THE CHAIR

ITEMS SCHEDULED FOR PUBLIC HEARING (Items 1-3)

ITEM NO. (1) - Motion Required

97-0870 - HEARING TESTIMONY and COMMENTS relative to proceedings for the maintenance of lighting systems for the 1997-98 Los Angeles City Lighting District, pursuant to Division 6, Chapter 3, Article 1 of the Los Angeles Administrative Code and California Government Code Sections 54954.6, and Proposition 218.

(Second hearing to be held on July 16, 1997, to consider the confirmation of assessments, pursuant to Government Code Sections 50078.6 and 54954.6, and Proposition 218)

ITEM NO. (2) - Motion Required

96-1422 - HEARING COMMENTS relative to ORDINANCE SECOND CONSIDERATION and PRESENTATION OF ACTUARIAL EVALUATION REPORT to implement reciprocity between the California Public Employees' Retirement System and other public agencies and the City Employees' Retirement System.

Recommendations for Council action:

1. NOTE and FILE Actuarial Evaluation relative to the cost of implementing the reciprocity provisions proposed in the subject ordinance.

(continued to next page)

ITEMS SCHEDULED FOR PUBLIC HEARING (continued)

(continued from previous page)

2. ADOPT accompanying ORDINANCE (second presentation) in accordance with Charter Section 512.2, amending Division 4 of the Los Angeles Administrative Code by adding Section 4.1065 to Chapter 10 thereof, so as to provide for Reciprocity with the California Public Employees' Retirement System.

Fiscal Impact Statement: CAO reports there will be no cost this year. The actuary for the City Employees' Retirement System has estimated the cost of reciprocity to be approximately .3% of payroll or \$2.87 million annually. Of this amount, approximately \$1.78 million is attributable to the General Fund. The remainder is attributable to special funds. Costs will begin in FY 1998-99 and are expected to be more than offset by reductions in City contributions due to better than anticipated investment returns. These savings will be approximately \$20 million (\$12.6 to the General Fund) starting in 1997-98.

10 VOTES REQUIRED

(Pursuant to Council's adoption of Budget and Finance Committee Report on June 3, 1997)

ITEM NO. (3) - Motion Required

87-0585 - CONTINUED CONSIDERATION OF HEARING PROTESTS, RESOLUTION OF
CD 15 MODIFICATION and ORDINANCE against the proposed street improvement and confirmation of revised assessments for the project entitled "Alleys West of Beacon Street and South of 13th Street Improvement District - A'13-EXX71124", pursuant to the 1913 Act and the Los Angeles Administrative Code Sections 6.1-6.15.

Recommendation for Council action, if protests denied:

PRESENT and ADOPT accompanying ORDINANCE ordering the improvement for the above project.

(First hearing held on September 17, 1996, pursuant to Government Code Sections 50078.6 and 54954.6; City Treasurer's report adopted; assessments revised by Council action of June 24, 1997)

MATTERS CONTINUED FROM A MEETING NOT MORE THAN FIVE DAYS PRIOR



June 6, 1997

Watson Wyatt & Company

Suite 700
15303 Ventura Boulevard
Sherman Oaks, CA 91403-3197
Telephone 818 906 2631
Fax 818 906 2097

Ms. Mary Higgins
Office of the City Administrative Officer
City of Los Angeles
300 City Hall East
Los Angeles, CA 90012-4190

RE: Cost of Reciprocity Benefits

Dear Mary:

We have determined the cost of allowing CERS benefits to be reciprocal with other major California retirement systems.

We estimate that the cost due to reciprocity would fall in the range of 0.20% to 0.40% of payroll. This range is based on experience with other public employee retirement systems. An estimate based on CERS' particular population characteristics would require data on the incidence of movement between CERS and the other California retirement systems.

If you have any questions on this, please give me a call.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Sharon'.

Sharon A. Peake, FSA
Consulting Actuary

SAP:MC

c: Lorraine Osuna, CERS

Version 2 -- A Fiscal Impact Statement with the cost of reciprocity shown alone. This matches the simplified actuarial report (attached) that will be attached to the Council File.

{ There will be no cost this year or in 1997-98. The actuary for the City Employees' Retirement System has estimated the cost of reciprocity to be approximately .3% of payroll or \$2.87 million annually. Of this amount, approximately \$1.78 million is attributable to the General Fund. The remainder is attributable to special funds. Costs will begin in 1998-99 and are expected to be more than offset by reductions in City contributions due to better than anticipated investment returns. These savings will be approximately \$20 million (\$12.6 to the General Fund) starting in 1997-98.

ORDINANCE NO. _____

An ordinance amending Division 4 of the Los Angeles Administrative Code by adding Section 4.1065 to Chapter 10 thereof, so as to provide for Reciprocity with the Public Employees' Retirement System.

THE PEOPLE OF THE CITY OF LOS ANGELES
DO ORDAIN AS FOLLOWS:

Section 1. Division 4 of the Los Angeles Administrative Code is hereby amended by adding Section 4.1065 to Chapter 10 thereof, to read as follows:

**Sec. 4.1065. Reciprocal Benefits with the Public Employees'
Retirement System**

(a) Uniform Reciprocal Provisions

The purpose of these reciprocal provisions is to extend to the members of other public agency retirement systems (hereinafter "reciprocal system") which adopt similar reciprocal provisions into their retirement ordinances or plans pursuant to Sections 20351, 20353, 31840.2 and 45310.5 of the Government Code, and who by contract agree to extend the benefits thereof to the City Employees Retirement System (hereinafter "this system"), the following rights in this system, provided such member enters into employment under this system or the reciprocal system within six months of terminating his or her employment under such other or this system:

(1) Notwithstanding any provisions of this plan or a reciprocal system plan in the matter of vesting, a member whose movement between systems occurs as herein specified shall have the right to elect to leave his or her accumulated contributions on deposit irrespective of the amount of such contributions or the length of service credited to him or her.

(2) The age of entry for a person entering this system for purposes of fixing member contribution rates from a reciprocal system shall be his or her age at entry into such reciprocal system.

(3) The average monthly salary during any period of service as a member of a reciprocal system shall be considered compensation earnable by a member of this system for purposes of computing final compensation for such member, provided he or she retires concurrently under both systems and is credited with such period of service under the reciprocal system at the time of retirement.

(4) Service, solely for purposes of meeting minimum service qualifications for benefits and retirement allowances under this system, shall also include service rendered as an officer or employee of a reciprocal system if the salary for such service constitutes compensation earnable by a member of this system.

(5) A member shall be retired for disability and receive a retirement allowance based on the service credited to him or her at the time of retirement during any period in which he or she receives a disability retirement allowance under a reciprocal system; provided, that such allowance shall not exceed an amount which when added to the allowance paid under the reciprocal system equals the allowance which would be paid for a non-industrial disability if all the member's service had been credited under the reciprocal system; and provided further, that such allowance shall in no event be less than an annuity which is the actuarial equivalent of the member's contributions, whether or not the disability is for industrial reasons.

(6) The death benefit for a member who dies from non-industrial causes as a member of a reciprocal system shall not exceed an amount which when added to the death benefit paid for such member under the reciprocal system equals the maximum death benefit payable under that system; provided, however, that such death benefit shall be at least the amount of the accumulated contributions; and, provided further, that if death is caused by industrial injury or disease in the reciprocal system the death benefit shall be the amount of the member's accumulated contributions.

(7) The governing body of this system shall on the request of a reciprocal system supply information and

data necessary for administration of such system as it is affected by membership in and service credited under this system.

(8) Interpretation of these provisions shall be made with reference to interpretations that have been made relative to the Public Employees' Retirement System - 1937 Act County Employees' Retirement reciprocal provisions upon which they are based.

(9) These provisions shall apply only to a member whose termination and entry into employment resulting in a change in membership from this system to such other system or from such other system to this system occurred after such acceptance by the board or after the effective date specified in the agreement; provided, however, that provisions relating to computation of final compensation shall apply to any other member if such provision would have applied had the termination and entry into employment occurred after such acceptance or determination by a system's governing board.

(10) Rights under this System shall be modified as necessary to conform to amendments to the Public Employees' Retirement Law or the County Employees' Retirement Law of 1937 as provided in Section 20353, Government Code.

Sec. 2. The City Clerk shall certify to the passage of this ordinance and cause the same to be published in some daily newspaper printed and published in the City of Los Angeles.

I hereby certify that the foregoing ordinance was introduced at the meeting of the council of the City of Los Angeles, by a vote of not less than two-thirds of all of its members, at the meeting of **JUN 03 1997** and was passed at its meeting of J. MICHAEL CAREY, City Clerk

By _____
Deputy

Approved _____

Mayor

Approved as to Form and Legality

James K. Hahn, City Attorney

By



Garcelle J. Embry
Deputy City Attorney

By



John C. Blair
Deputy City Attorney

CF 96-1422

CITY OF LOS ANGELES
CALIFORNIA

ELIAS MARTINEZ
CITY CLERK

J. MICHAEL CAREY
EXECUTIVE OFFICER



RICHARD J. RIORDAN
MAYOR

OFFICE OF THE
CITY CLERK
ROOM 395, CITY HALL
LOS ANGELES, CA 90012
(213) 485-5708

96-1422

June 5, 1997

City Administrative Officer
City Attorney
City Employees' Retirement System

CALPERS
S. Dawn Evans, Employee Rep.
Public Agency Contract Services
Actuary & Employer Services Div.
P.O. Box 942709
Sacramento, CA 94229-2709

RE: CREATING RECIPROCITY BETWEEN THE CALIFORNIA PUBLIC EMPLOYEES'
RETIREMENT SYSTEM AND OTHER PUBLIC AGENCIES AND THE CITY EMPLOYEES'
RETIREMENT SYSTEM

At the meeting of the Council held June 3, 1997, the following
action was taken:

Attached report adopted.....	<u>X</u>
Attached motion () adopted.....	_____
Attached resolution adopted.....	_____
Ordinance over to July 8, 1997.....	<u>X</u>
Motion adopted to approve attached report.....	_____
Motion adopted to approve attached communication.....	_____
To the Mayor FORTHWITH.....	_____
Mayor concurred.....	_____
Findings adopted.....	_____
Negative Declaration adopted.....	_____
Categorically exempt.....	_____
Generally exempt.....	_____
EIR certified.....	_____
Tract map approved for filing with the County Recorder.....	_____
Parcel map approved for filing with the County Recorder.....	_____
Bond approved is No. _____ of Contract.....	_____

J. Michael Carey

City Clerk
et

steno\961422



TO THE COUNCIL OF THE
CITY OF LOS ANGELES

Your BUDGET AND FINANCE Committee
reports as follows:

Public Comments: Yes No
X —

BUDGET AND FINANCE COMMITTEE REPORT and ORDINANCE relative to creating reciprocity between the California Public Employees' Retirement System and other public agencies and the City Employees' Retirement System.

Recommendation for Council action, as recommended by the City Attorney:

1. PRESENT and ADOPT the accompanying ORDINANCE creating reciprocity between the California Public Employees' Retirement System (CALPERS) and other public agencies and the City Employees' Retirement System (CERS).
2. AUTHORIZE the Board of Administration of CERS to EXECUTE the accompanying Agreement for Reciprocal Benefits to be entered into by CALPERS and the City of Los Angeles and CERS. This agreement, drafted by CALPERS, incorporates the language which CALPERS deems acceptable to accomplish reciprocity upon the effective date of the ordinance.

[Ordinance to be considered again on second presentation at a public hearing scheduled before Council on July 8, 1997, as required by Charter Section 512.2]
3. HOLD a public hearing before the full City Council to consider the proposed changes in benefits paid by the CERS 30 days after the implementing ordinance is presented to Council; and to further present the actuarial evaluation relative to the cost of the benefit increases proposed in the subject ordinance to be submitted, in writing, at the July 8, 1997, public hearing, pursuant to Section 512.2 of the Charter.

(Requires 2/3 vote)

Fiscal Impact Statement: None submitted by the City Attorney's Office. Neither the City Administrative Officer nor the Chief Legislative Analyst has completed a financial analysis of this report.

SUMMARY:

In his report dated May 7, 1997, the City Attorney states that the City of Los Angeles along with the Board of Administration of the CERS have agreed, as required by the Charter of the City of Los Angeles, to enter into a contract with CALPERS to provide for reciprocity of retirement benefits.

TO THE COUNCIL OF THE
CITY OF LOS ANGELES

Your

BUDGET AND FINANCE

Committee

reports as follows:

To implement and to assure reciprocity with CALPERS and other public agencies maintaining independent retirement systems, it is required by statute that the reciprocity provisions be incorporated into the CERS plan. The Board of Administration of CALPERS has found that by incorporating the reciprocal provisions into our retirement plan by ordinance, problems with interpretation that may arise from a great variation in reciprocal provisions is avoided. Therefore the ordinance is submitted to accomplish this purpose.

The ordinance may be adopted by the City Council pursuant to the provisions of Section 512.2 of the City Charter subject to the following requirement: "(a) Ordinances adopted pursuant to this section must be approved by not less than two-thirds of the membership of the Council subject to the veto of the Mayor and readoption by the Council in the same manner as other ordinances requiring a two-thirds vote. No such ordinance may be finally adopted by the Council until the expiration of at least thirty days after its first presentation to the Council, nor until after a public hearing as been held thereon."

At its meeting of May 20, 1997, the Budget and Finance Committee concurred in the recommendations of the City Attorney and now submits this matter for Council consideration.

Respectfully submitted,

BUDGET AND FINANCE COMMITTEE

KC:amm
5/22/97

#961142

[Signature]
[Signature]

REPORT
ADOPTED

JUN 03 1997

LOS ANGELES CITY COUNCIL

ORD

OVER ONE

TO...

July 8, 1997

ORD
ADOPTED

JUL 08 1997

LOS ANGELES CITY COUNCIL
TO THE MAYOR FORTHWITH
ACTUARIAL EVALUATION
REPT. NOTED & FILED

Please publish on June 3, 1997 and give me a copy of the notice when it is published. Thanks.

CITY OF LOS ANGELES
NOTICE OF PUBLIC HEARING

On July 8, 1997, the Council of the City of Los Angeles will conduct a Public Hearing relative to adopting an ordinance to create reciprocity between the California Public Employees' Retirement System (CALPERS) and other public agencies and the City Employees' Retirement System (CERS). The Council will consider the proposed changes in benefits paid by CERS and the actuarial evaluation relative to the cost of the benefit increases proposed in the subject ordinance, pursuant to Section 512.2 of the Charter.

Persons unable to appear at the public hearing on this matter may review the Council file (96-1422) in the Office of the City Clerk, Room 395, City Hall, 200 North Spring Street, Los Angeles, CA 90012. Written comments may be submitted to the City Clerk prior to the hearing.

Council meets at 10:00 a.m.
Address: 200 North Spring Street
Council Chamber (Room 340, City Hall)

J. MICHAEL CAREY
City Clerk of the City of Los Angeles

By: Konrad Carter, Deputy City Clerk
C.F. No. 96-1422

5-28-97
pubnote.cer

#5

BUDGET AND FINANCE COMMITTEE
Report/~~Communication~~ for Signature

Council File Number

96-1422

Committee Meeting Date

5-20-97

Council Date

6-3-97

COMMITTEE MEMBER	YES	NO	ABSENT
COUNCILMEMBER ALATORRE, Chair 6/2	✓		
COUNCILMEMBER FEUER 5/25/28	✓		
COUNCILMEMBER WALTERS	✓		

Remarks


Reciprocity - CERS + CALPERS

Konrad Carter, Legislative Assistant ♦♦♦♦ Telephone 485-4467

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Date: December 16, 1996

To: The City Council

From: Keith Comrie, City Administrative Officer 

Subject: **REMAINING CHANGES TO THE CITY EMPLOYEES' RETIREMENT SYSTEM (CERS)**

On July 19, 1996, the City Council, in view of a \$55 million annual savings in City contributions to CERS directed that system improvements estimated at \$14 million be bargained with our unions (see Attachment I).

Part of the implementing ordinances were approved on October 1, 1996. Attached are the final ordinances in the package. They cover the pension portability segment of the changes. There will be no cost to the City this year or next. In 1998-99, the General Fund cost will be approximately \$4.9 million. Offsetting this cost will be General Fund savings starting in 1997-98 of approximately \$12.6 million.

Portability is already available in most California cities and counties through reciprocity agreements with the California State Public Employees Retirement System (PERS). These agreements allow all such state, city and county service to be counted for a person's pension. Such agreements do not cover some other governmental service such as a few non-reciprocal cities, military service and the State Teachers Retirement System (STRS).

The attached contract and ordinances from the City Attorney (Attachment II) provide portability by making our system reciprocal with State PERS, allowing employees in systems not reciprocal with PERS to transfer their contributions and credit to the City (teachers; etc.), for systems where employees did not contribute to their pension system it allows them to pay in an amount equal to what they now pay for City credit (military; etc.), and for term limited employees a portable savings plan is set up where the employee and City put the same amount of money they would put into the retirement plan.

Employee representatives have reviewed and agreed to the retirement changes that affect their members. This agreement is included as Attachment III.

RECOMMENDATIONS

That the Council:

1. Approve the agreement between the City and the civilian bargaining unit representatives; and
2. In accordance with Charter provisions present the attached ordinances for 30 days; and
3. After the 30 day period, schedule a public hearing and approve the ordinances.

Fiscal Impact Statement

There will be no cost this year or in 1997-98. The actuary for the City Employees Retirement System has estimated the cost of the portability provisions to be \$7.9 million annually. Of this amount, approximately \$4.9 million is attributable to the General Fund. The remainder is attributable to special funds. Costs will begin in 1998-99 and are expected to be more than offset by reductions in City contributions due to better than anticipated investment returns. These savings will be approximately \$20 million (\$12.6 million to the General Fund) starting in 1997-98.

KC:ss


Attachments

ERD01125

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Date: July 19, 1996

To: The City Council

From: Keith Comrie, City Administrative Officer 

Subject: **LETTER OF AGREEMENT REGARDING CHANGES IN THE
BENEFITS PROVIDED BY CERS**

The City Employees Retirement System (CERS) is nearing a fully funded status. As a result City contributions are anticipated to drop \$35 million annually in 1996-97. Better than expected investment returns are anticipated to reduce the City's contribution by another \$20 million in 1997-98 for a total of \$55 million annually thereafter. On June 18, 1996, in recognition of this situation, the City Council approved a list of retirement program updates after mandatory meet and confer sessions with our employee organizations. These changes will reduce the 1997-98 \$55 million savings by \$14 million.

Attached for approval is the final fact sheet on the changes (Attachment A) and a tentative Letter of Agreement (Attachment B) with the employee organizations. The City Attorney will submit the ordinances necessary to implement the proposed changes under separate cover. The ordinances require a two-thirds vote of the City Council. These ordinances cannot be finally adopted until 30 days after their first presentation to the Council and a public hearing has been held.

RECOMMENDATIONS:

1. That the Council approve the Letter of Agreement between the City and affected bargaining representative (Attachment B) authorizing various enhancements in benefits paid by the City Employees' Retirement System; and
2. That the Council, subject to the approval of the Mayor, adopt the ordinances, which will be submitted under separate cover from the City Attorney, needed to implement the enhancements in benefits paid by the City Employees' Retirement System.
3. Schedule a public hearing 30 days after receipt of the implementing ordinances by the Council.

KC:MCH:sr

Attachments

9-0325

Description of Proposed Changes to CERS

1. **Continuation of health insurance subsidy equal to half Kaiser single party rate for three years then the full single party Kaiser rate for dependents after member's death**

cost: 0.33% of payroll; \$3.3 million each year; \$55.9 million present value

CERS provides a health subsidy benefit, beginning at age 55, to members who retire with at least ten years of service. The subsidy is prorated at 4% per year of City service (e.g. with 10 years it is 40%; with 25 years it is 100%). When the member dies, the surviving spouse may continue his/her coverage, but the subsidy ceases. The survivors must pay the full cost of the coverage. The proposal would continue a health subsidy, at half of the Kaiser single party rate, for the surviving spouse for the next three years; and the full single party Kaiser rate thereafter. Surviving spouses who have Medicare part "A" coverage will also be entitled to a Medicare reimbursement.

2. **Reduction of the early retirement penalty (use of DWP Factors)**

cost: 0.19 % of payroll; approximately \$1.9 million first year; \$25.5 million present value

Members who retire between 55 and 60 with less than thirty years of service and members who retire at less than 55 with thirty years of service have their benefits reduced. Those members over 55 have about a 3% per year reduction; under 55 about 4% per year. Members of the DWPERP in the same circumstances have a 1.5% reduction between 55 and 60, and a 3.5% reduction if they are under 55. CERS members would now be subject to the same discount as members of the DWPERP.

3. **Increase the death benefit payment from \$500 to \$2,500 (Burial Allowance)**

cost: 0.08 % of payroll; approximately \$770,000 first year; \$14.1 million present value

Upon the death of a retired member, CERS pays \$500 to the beneficiaries to defray funeral expenses. This proposal increases the benefit to \$2,500.

4. **Portability of retirement benefits**

cost: 0.4% of payroll; approximately \$4 million first year

Term limits mean that some City employees can, at most, stay eight years. It takes ten years to be eligible to obtain a retirement check at some future date. A plan could be developed that provides such persons the same amount of money the City would put into the retirement system for them, but set aside in an independent retirement account they can take with them when they leave City service. The City cost of this component of portability should be very small.

Further, both public and private employment tends to be shorter term than in the past. Retirement portability is an issue. A system could be set up to allow City employees to transfer their contributions and credits from other public service to the City retirement system. Where individuals participated in a non-contributory systems (i.e. they did not make employee contributions to the system) they would be required to contribute the same employee amount they would have if they were a City employee for the same service time. Public service means all local, state and federal government agencies including the military.

5. **Extension of pension benefits to domestic partners**

cost: 0.04% to 0.18% of payroll, \$370,000 to \$1.8 million first year cost; \$5.5 million to \$27.3 million present value

Domestic partners of members should have the same status as eligible spouses.

6. **Changes in the death benefit for active members ineligible to retire**

cost: 0.14% of payroll, approximately \$1.4 million first year; \$15.1 million present value.

Background: Upon the death of an employee not yet eligible to retire, the surviving spouse or dependents receive one of the following benefits:

- A. All survivors receive a 60% disability survivorship benefit which usually provides about 20% of the members' salary.
- B. Survivors of members who participated in the voluntary Family Death Benefit Insurance Plan (FDBIP) receive an amount originally intended to be similar to those provided to survivors under Social Security, but which has fallen short of this goal. The employee and the City contribute equal amounts to provide this benefit.
- C. Survivors of members who were eligible to retire may elect to receive a retirement amount based on years of service or the FDBIP benefit, but not both.

Proposal: Develop a benefit combining the active death benefit and the Family Death Benefit Insurance Plan to provide a more adequate benefit. A specific plan is still being developed, but it should include the following:

- A. Replacing the 60% disability survivorship benefit with a 100% continuance of the disability pension (30% of salary with a minimum of five years City service).
- B. Providing a surviving spouse the option of waiting for a regular service pension rather than taking the disability pension.

The FDBIP can also be restructured to emulate the Social Security benefit. Because this program is currently over funded, the cost to change the FDBIP should be minimal, if anything.

7. Reduce the minimum retirement age for members with 30 years of service for a three year period

Currently members must be age 55 with at least 30 years of service to receive unreduced retirement benefits. Pursuant to this agreement, members with 30 years of service who are at least 50 years of age would be eligible to retire with unreduced retirement and health subsidy benefits. The benefit would be in effect for three years from the effective date of the ordinance implementing this benefit (window period). Retirement applications must be approved by the Board of Administration during the three year window period in order for the member to take advantage of this benefit. This short-term change will assist the City in its downsizing efforts.

cost: 0.13% of payroll; approximately \$1.3 million annually; \$19.2 present value.

8. Implementation

These changes are subject to legal and actuarial work to make sure the City retirement system remains in conformance with federal law. It is expected this work will take 90 to 180 days.

Letter of Agreement
Regarding Changes in Benefits Provided by the
City Employees Retirement System

The parties to this Letter of Agreement are the City (hereinafter Management) and the employee organizations (hereinafter Unions) listed below who represent employees who are members of the City Employees Retirement System (hereinafter CERS) as provided for in Section 502 of the City Charter.

The parties agree to implement changes in the benefits provided by CERS described below:

1. Contribution of health insurance subsidy for surviving dependents after the member's death

Currently, CERS provides a health subsidy benefit, beginning at age 55, to members who retire with at least ten years of service. The subsidy is prorated at 4% per year of City service (e.g. with 10 years it is 40%; with 25 years it is 100%). When the member dies, the surviving spouse may continue his/her coverage, but the subsidy ceases. The survivor must pay the full cost of the coverage.

Pursuant to this agreement, the City will continue a health subsidy for a surviving dependent (i.e.; eligible spouse or dependents receiving a continuance allowance) after the member's death if the member was receiving a health subsidy. If the member died prior to receiving a health subsidy, the surviving spouse will become eligible to receive a health subsidy when the member would have become eligible. The subsidy will continue to be subject to the proration schedule described above and may not exceed half of the Kaiser single party rate for retired members for 36 months from the effective date of the ordinance implementing this change and the full single party Kaiser rate for retired members thereafter. In addition, surviving dependents opting to take this benefit must follow the same requirements for Medicare coverage that apply to the member. Specifically, at age 65, the surviving dependent must apply for Medicare to the full extent of entitlement. If the entitlement includes Part A coverage, the City will reimburse the surviving dependent the premium cost for Part B and provide a medical subsidy per the following formula.

For 36 months from the effective date of the ordinance implementing this change, the subsidy amount shall be one-half ($\frac{1}{2}$) of the following formula, thereafter it will be the full amount of the following formula:

For ten (10) but less than fifteen (15) years of City service, 75 percent of the single party premium for a member with Part A and B of Medicare in the plan in which the member is enrolled;

For fifteen (15) but less than twenty (20) years of City service, 90% of the single party premium for retirement members with Part A and B of Medicare in the plan in which the member is enrolled; and
For twenty (20) or more years of City service, 100 percent of the single party premium for retired members with Part A and B of Medicare in the plan in which the member is enrolled.

In no case will the medical subsidy for a surviving dependent exceed the single party Kaiser rate for members without Medicare A and B.

In addition to the active members represented by the Unions to this agreement, this benefit will be provided to all retired members and current surviving spouses.

2. Reduction of the early retirement penalty (use of DWP Factors)

Members who retire between ages 55 and 60 with less than thirty years of service and members who retire at less than 55 with thirty years of service have their benefits reduced. Currently the reduction factor for those members over 55 is about 3% per year. The reduction factor for those members under 55 is about 4% per year. Pursuant to this agreement, the reduction factors will be reduced to 1.5% reduction between 55 and 60, and 3% reduction if they are under 55. The reduction factors are shown on the attached exhibit.

3. Increase the death benefit payment from \$500 to \$2,500

Upon the death of a retired member, CERS pays a \$500 death benefit to the member's beneficiaries to defray funeral or other expenses. Pursuant to this agreement, the benefit will be increased to \$2,500.

4. Portability of Retirement Benefits

Pursuant to this agreement, the City will provide a program which allows members to acquire years of service in CERS based on previous public service. (Public service means local, state and federal government agencies including the military.) The City agrees to pick up all employer related costs.

The parties agree to meet and confer on the plan design for and implementation of this program. The City and the affected unions agree to work in good faith to expeditiously develop and implement a plan design. The City will develop a proposal to amend the public service buy-in program and present it to the Unions to this agreement on or about October 1, 1996.

In addition, the City will develop and implement a program for employees subject to term limits that provides the same amount of money the City would put into the retirement system for them, but set aside in an independent retirement account they can take with them when they leave City service. Term limits mean that some employees can, at most stay eight years.

5. Extension of pension benefits to domestic partners

Under the current retirement provisions, there is no mechanism to provide a retirement income to the domestic partners of members. Pursuant to this agreement, domestic partners of members will be considered an "Eligible Spouse" for the purposes of retirement and health subsidy benefits. To obtain domestic partner benefits, the member and the domestic partner must meet the following conditions and attest to this by completing and signing an Affidavit of Domestic Partnership filed with CERS:

- a. are in a committed and mutually exclusive relationship in which the member and domestic partner are jointly responsible for each other's welfare and financial obligations;
- b. have resided together in the same principal residence for at least 12 months and intend to do so indefinitely; and
- c. are 18 years of age or older, unmarried, and not blood relatives.

For a member's domestic partner to be eligible for a retirement continuance, the Affidavit of Domestic Partnership must be on file with CERS at least one year before the member's retirement and still in place at the time of the member's death. However, for those member's who have an Affidavit of Domestic Partnership on file with the Personnel Department and file an Affidavit of Domestic Partnership with CERS on or before December 31, 1996 the one year period required before a member's retirement will begin on the date the Affidavit was accepted by the Personnel Department.

By extending to an employee the specific benefits defined in this Letter of Agreement, the City does not intend to confer or imply any other unspecified benefits to such member, or the member's domestic partner.

6. Change the death benefit for active members not yet eligible to retire

Pursuant to this agreement, the City will provide enhanced active death benefits and improve the Family Death Benefit Insurance Plan (FDBIP) as follows.

Active Death Benefit

- a. Replace the 60% disability survivorship benefit with a 100% continuance of the disability pension retirement allowance.
- b. Allow the surviving spouse to receive a 100% survivorship allowance when the member would have been eligible for a service retirement.
- c. Allow the surviving spouse of former vested member to receive a 100% survivorship allowance when the member would have been eligible for a service retirement.

Family Death Benefit Insurance Allowance

- a. The family allowance will be increased to the 1996 social security maximum.
- b. The surviving spouse benefit will be doubled.

7. Reduce the minimum retirement age for members with 30 years of service for a three year period

Currently members must be age 55 with at least 30 years of service to receive unreduced retirement benefits. Pursuant to this agreement, members with 30 years of service who are at least 50 years of age would be eligible to retire with unreduced retirement and health subsidy benefits. The benefit would be in effect for three years from the effective date of the ordinance implementing this benefit (window period). Retirement applications must be approved by the Board of Administration during the three year window period in order for the member to take advantage of this benefit.

This Letter of Agreement constitutes a joint recommendation of Management and the Unions and shall not be binding in whole or in part on the parties listed below unless and until the City Council has approved the Letter of Agreement in the manner required by law. The changes described above require ordinances to be implemented. Therefore, the changes will become operative on the effective date of the ordinances unless otherwise specified.

CERS will pay benefits only in accordance with prevailing local, state and federal laws. Should the implementation of this agreement cause members to exceed benefit limits established under the Internal Revenue Code Section 415, the provisions of Ordinance No. 165334 will apply. The City will meet and confer with the unions on alternate means of maintaining for such members the level of benefits in effect at the time of the members retirement.

For purposes of constructing this instrument, all language herein is deemed to have been jointly drafted by the parties.

ERD
9-0311

(Signature page follows)

EXHIBIT**EARLY RETIREMENT REDUCTION FACTORS
1.5%/3.5%**

Age at Retirement	Proportion of Earned Benefits Payable	Age at Retirement	Proportion of Earned Benefits Payable
45	.625	53	.865
46	.655	54	.895
47	.685	55	.925
48	.715	56	.940
49	.745	57	.955
50	.775	58	.970
51	.805	59	.985
52	.835	60	1.000

For the City:

K. Camille
City Administrative Officer

7/18/96
Date

For the Employee Organizations

Airport Supervisory Police Officers Assn. of LA

Date

Charles F. Davis
AFSCME

July 11, 1996
Date

William T. Thompson
LA City Attorneys Assn.

7-1-96
Date

Robert H. Duncan
Engineers and Architects Assn.

7/11/96
Date

Los Angeles Airport Peace Officers Assn.

Date

Julia Butcher
SEIU Local 347

7/11/96
Date

Skip Harkle
LA/Orange County Building Trades Council

7-11-96
Date

Frank Allen
L.A. City Supervisors and Superintendents Assn

7-11-96
Date

L. A. Port Pilots Assn.

Date

L.A. Port Police Assn.

Date

Charles M. Mims
L.A. Professional Managers Assn.

July 11, 1996
Date

David H. Hamilton
Local 501, Operating Engineers

7-11-96
Date

Municipal Construction Inspectors Assn.

Date

Municipal Construction Inspectors Assn.

Date

ATTACHMENT II

OFFICE OF
CITY ATTORNEY



JAMES K. HAHN
CITY ATTORNEY

PENSIONS DEPARTMENT

360 EAST 2ND STREET
SUITE 600
LOS ANGELES, CALIFORNIA 90012
TELEPHONE: (213) 485-4917

FACSIMILE: (213) 847-3529

EUDON FERRELL
SUPERVISING CITY ATTORNEY
GARCELLE J. EMBRY
JOHN C. BLAIR
DEPUTY CITY ATTORNEYS
ATTORNEYS FOR THE
DEPARTMENT OF PENSIONS
AND
CITY EMPLOYEES' RETIREMENT SYSTEM

REPORT NO. R 96 - 0461
DEC 13 1996

REPORT RE:

DRAFT ORDINANCE AMENDING DIVISION 4
OF THE LOS ANGELES ADMINISTRATIVE CODE
BY ADDING AND AMENDING VARIOUS SECTIONS TO
CHAPTER 10 AND ADDING CHAPTER 18 TO IMPLEMENT CHANGES
REFLECTED IN THE LETTER OF AGREEMENT REGARDING
BENEFITS PROVIDED BY THE CITY EMPLOYEES' RETIREMENT SYSTEM

The Honorable City Council
City Council, City of Los Angeles
Room 395, City Hall
Los Angeles, CA 90012

Honorable Members:

This office has prepared a draft of a proposed ordinance to amend the Los Angeles Administrative Code. The proposed ordinance implements the portability of benefits for employees of the City of Los Angeles as set forth in the Letter of Agreement between the City of Los Angeles and the affected bargaining units.

This ordinance may be adopted by the City Council pursuant to the provisions of Section 512.2 of the City Charter subject to the following requirements:

“(a) Ordinances adopted pursuant to this section must be approved by not less than two-thirds of the membership of the Council, subject to the veto of the Mayor and readoption by the Council in the same manner as other ordinances requiring a two-thirds vote. No such ordinance may be finally adopted by the Council until the expiration of at least thirty days after its first presentation to the Council, nor until after a public hearing has been held thereon.”

Section 512.2 of the Charter provides that as a further condition to the final adoption of the proposed ordinance, an enrolled actuary must advise the Council, in writing, of the cost of the benefit increases.




The City Council is also subject to Section 512.3 of the City Charter as to Sections 5 and 6 of the ordinance (the Limited Term Retirement Plan and the Excess Benefit Plan). Section 512.3 provides:


“(a) The Council may by ordinance adopted in accordance with Section 512.2 authorize the Board of Administration of the City Employees’ Retirement System to administer retirement plans 1) for employees of the City who are not members of the City Employees’ Retirement System or any other retirement system provided by this Charter, or 2) as a plan supplemental to any other pension or retirement plan established under this Charter. Such supplemental or alternative plans shall be separate and distinct from the City Employees’ Retirement System and not subject to the definitions, conditions of entitlement or requirements applicable to that System.”

Section 512.3 of the City Charter also provides that no assets of the City Employees’ Retirement Fund shall be used to provide the administrative or investment services for such other plans.

Very truly yours,

JAMES K. HAHN, City Attorney

By 
GARCELLE J. EMBRY
Deputy City Attorney

By 
JOHN C. BLAIR
Deputy City Attorney

ORDINANCE NO. _____

An ordinance amending Division 4 of the Los Angeles Administrative Code by adding and amending various sections to Chapter 10 and by adding Chapter 18 thereto, so as to provide for changes in benefits provided by the City Employees' Retirement System.

THE PEOPLE OF THE CITY OF LOS ANGELES
DO ORDAIN AS FOLLOWS:

Section 1. Division 4 of the Los Angeles Administrative Code is hereby amended by amending Section 4.1052.1 to Chapter 10 thereof, to read as follows:

Sec. 4.1052.1. Buy Back of Full-time Service With Other Governmental Entities, Including Military Service; Buy Back of Periods of Uncompensated Leave from City Service.

(a) **Definitions.**

For the purpose of this section, the following words and phrases shall have the meaning ascribed to them in this subsection unless a different meaning is clearly indicated by the context:

"Governmental Entity" shall mean the United States Government including its territories, any agency of the United States Government and any branch of the United States military service; any State or political subdivision thereof; any local government or special district within any State in the United States; and shall exclude non-governmental agencies supported by government contracts or grants.

"Full-time Service" shall mean a minimum of six months of uninterrupted service with an eligible governmental entity, excluding part-time service and service for which the member is currently eligible or will become eligible to receive a pension.

"Leave of Absence" shall mean an approved uncompensated leave of absence from city service, excluding any period of absence due to disciplinary suspension.

"Buy Back" shall mean purchase by a member of retirement credit for periods of eligible service with other governmental entities or purchase by a member of retirement credit for eligible leaves of absence from city service.

"Government Service Credit Program" shall mean the method for the buy back of retirement credit set forth in section 4.1052.2.

(b) Eligibility.

Every person who is a member on the effective date of this section or who shall become a member subsequent thereto shall be eligible to buy back credit for periods of full-time service with other governmental entities and to buy back credit for periods of uncompensated leave of absence from city service.

(c) Application of Buy Back Credit.

A member electing to buy back eligible periods of full-time previous service with other governmental entities or periods of leave of absence from city service may apply buy back credit to increase service retirement benefit credit. Buy back credit shall not be used to meet minimum qualification for service retirement, disability retirement or vested retirement or to qualify for the Family Death Benefit Insurance Plan; or to qualify for or increase health and dental insurance premium subsidies.

(d) Effect of Benefit Increases.

Effective with respect to members on the active payroll on or after the effective date of this section, if retirement benefits should be increased by City Council action pursuant to Section 512.2 of the City Charter, such increased benefits shall be applicable to service credits purchased pursuant to this section.

(e) Minimum Periods of Purchase.

A member electing to buy back credit for previous service with other governmental entities or for periods of uncompensated leave of absence, shall file with the Board of Administration a written application identifying the time periods and agencies for which credit is to be purchased, and shall submit proof acceptable to the Board of Administration establishing the fact of such other service with another governmental entity or leaves of absence. Buy back credit for one or more periods of full-time service with another governmental entity prior to entrance or re-entrance into the City Employees' Retirement System may be purchased, except, however, such purchase shall be limited to not less than six months of uninterrupted service from a single entity. A member may buy back credit for one or more periods of uncompensated leave, except, however, a minimum of six months of leave in the aggregate shall be purchased. Total buy back credit purchased shall not exceed the member's actual city service at the time the buy back is concluded.

(f) Agreement with the City Employees' Retirement System - Buy Back Methods.

A member electing to buy back credit described herein shall enter into a written agreement with the City Employees' Retirement System. Such agreement shall provide that the member contribute an amount equal to the present value of the liability incurred by the System in crediting the service based upon actuarial assumptions in effect at the time the agreement is entered into or amended and the projected retirement date contained in the agreement. Such agreement shall identify the method of payment of the additional contributions required to fund the purchased credit, which may be a specific dollar payment or percent of salary obligation. If a member elects to make the required contribution by a specific dollar payment, the payment may be made in a lump sum or in biweekly installments through payroll deduction over a period not to exceed five years. If the member elects to enter into a percent of salary obligation, the member shall agree to make the contributions as a percent of salary through payroll deduction over a period extending from the date of the agreement with the City Employees' Retirement System to a projected retirement date included in the agreement. Contributions made through payroll deduction may be paid on a pre-tax basis if the member so elects at the time the buy back agreement is entered into. Such election, once filed, shall be irrevocable. The rules of Chapter 15 of Division 4 of the Administrative Code shall be fully applicable to such contributions, so that the wages of affected employees shall be considered reduced by the amount of employer contributions made under this subsection.

(g) Execution of the Agreement.

A member entering into a buy back agreement shall complete all contributions prior to the effective date of retirement in order to receive agreed upon buy back credit. In the event the member elects to retire at an earlier age than specified in the agreement, the member may receive prorated buy back credit for that portion of the service with other governmental entities or periods of uncompensated leaves of absence which have been purchased by contributions already made and forfeit the remainder of credit covered by the agreement; or, the member may make a lump sum payment sufficient to complete the total payment covered by the agreement. In the event the member elects to retire at a later date than the age specified in the agreement, contributions shall cease at the age specified and no further adjustments shall be made in buy back credit or the cost of such credit. A member who elects to terminate the agreement prior to its completion, or at the time of retirement, shall forfeit buy back credit and receive a cash refund of the buy back contributions and interest thereon. An active member who has entered into an agreement or completed an agreement under this program prior to the effective date of the Government Service Buy Back Program and who would otherwise qualify to participate in that Program,

may elect to rescind such agreement and have their contributions to date apply to the Government Service Buy Back Program. The excess, if any, of the member's contributions paid under this section over the total contributions required from the member under the Government Service Buy Back Program with respect to the same service shall be refunded, with interest, upon the earlier of death, termination of employment or retirement.

(h) Plan Member's Death.

In the event of the death of a member who has entered into a buy back agreement, the surviving eligible beneficiary of the member may elect a refund of the buy back contributions and interest thereon, or elect to apply the credit or a portion thereof to the calculation of the benefits for which the survivor qualifies without the addition of buy back service credit or elect to complete the terms of the agreement with a lump sum payment of the remaining amount owed.

(i) Administration.

The administration of this section shall be under the exclusive management and control of the Board of Administration. Said Board shall have and is hereby granted full power and authority to adopt and enforce all such rules and regulations as it may deem necessary for the carrying out of the provisions of this ordinance. The Board of Administration shall have the right to construe this section, to interpret any provision thereof, to make rules and regulations relating to this section, and to determine any factual questions arising in connection with this section's operation after such investigation or hearing as the Board may deem appropriate. Any decision made by the Board under the provisions of this section shall be conclusive and binding on all parties concerned.

(j) Subsection (j) is hereby repealed.

Sec. 2. Division 4 of the Los Angeles Administrative Code is hereby amended by adding Section 4.1052.2 to Chapter 10 thereof, to read as follows:

Sec. 4.1052.2. Buy Back of Full-time Service With Other Governmental Entities, Including Military Service; Buy Back of Periods of Uncompensated Maternity Leave.

(a) Definitions.

For the purpose of this section, the following words and phrases shall have the meaning ascribed to them in this subsection unless a different meaning is clearly indicated by the context:

"Buy Back" shall mean purchase by a member of retirement credit for periods of eligible service with other governmental entities or purchase by a member of retirement credit for pre-1979 uncompensated maternity leave.

"Effective Date" shall mean the effective date of the ordinance adopting this section.

"Full-time Service" shall mean a minimum of six months of uninterrupted service with an eligible governmental entity, excluding part-time service.

"Governmental Entity" shall mean the United States Government including its territories, any agency of the United States Government, the United States Postal Service and any branch of the United States military service; any State or political subdivision thereof; any local government or special district within any State in the United States; and shall exclude non-governmental agencies supported by government contracts or grants and any prior service with the City of Los Angeles.

"Pre-1979 Uncompensated Maternity Leave" shall mean a leave of absence from City Service taken for maternity reasons without pay prior to April 29, 1979 due to the City policy not allowing usage of paid time for pregnancy leave purposes, not to exceed the total of accrued paid sick and vacation hours that were available to the member at the time of commencement of such leave and not to exceed six months with respect to any one pregnancy.

"Presentation Date" shall mean the date that the ordinance adopting this section was first presented to the Council in any form.

"Prior Plan" shall mean a retirement plan of a governmental entity in which the member was a participant during full-time service.

(b) Eligibility.

Every person who is a member on the effective date of this section or who shall become a member subsequent thereto shall be eligible to buy back credit for periods of full-time service with other governmental entities and to buy back credit for periods of Pre-1979 Uncompensated Maternity Leave. Notwithstanding the foregoing:

(1) Members may not buy back credit for periods of service for which they are currently eligible or will become eligible to receive a retirement benefit from a Prior Plan. For purposes of the previous sentence,

a member shall be treated as eligible for such benefit from a Prior Plan even if the member will not receive such benefit solely due to the member's withdrawal of member contributions and interest from the Prior Plan, unless such withdrawal occurred prior to the later of the member's date of hire by the City or the Presentation Date or unless the member deposits the amount of such withdrawal as the buy back purchase price, in accordance with subsection (f)(2) hereof, within 90 days of such withdrawal. In addition, a member shall be treated as eligible for such benefit from a prior plan if the member received at any time a distribution from the prior plan in excess of member contributions and interest with respect to such period of service. The Board may extend such 90 day period if required for compliance with Section 415 of the Internal Revenue Code. In the event that prior to the attainment of the minimum age and service for a service retirement under CERS, the member becomes eligible to receive currently or in the future a retirement benefit from the prior plan with respect to such period of service, the corresponding buy back credit shall be canceled and the member shall receive a refund of the payments made under subsection (f) with respect to such buy back credit, with interest, payable upon the earlier of death, termination of employment, or retirement from City Service.

(2) Members are not allowed to buy back credit for periods of service from a governmental entity which provides reciprocal benefits with CERS and for which that member would be entitled to those reciprocal benefits. For purposes of the previous sentence, a member shall be treated as entitled to reciprocal benefits even if the member will not receive such benefits solely due to the member's withdrawal of member contributions and interest from the Prior Plan, unless such withdrawal occurred prior to the later of the member's date of hire by the City or the Presentation Date.

(3) Only a member performing "City Service" as defined in Section 501 of Article XXXIV of the Charter shall be eligible to execute a buy back agreement.

(4) For purposes of this section, the date of a withdrawal shall be deemed to be the date of receipt of the proceeds of the withdrawal by the member or other designated recipient.

(c) Application of Buy Back Credit.

The service credit purchased under this section shall be treated the same as service credit under CERS except that it shall not be taken into account for

establishing the minimum five year service requirement for service retirement, disability retirement or vested retirement.

(d) Minimum Periods of Purchase.

A member electing to buy back credit for previous service with other governmental entities or for periods of Pre-1979 Uncompensated Maternity Leave, shall file with the Board of Administration a written application identifying the time periods and agencies for which credit is to be purchased, and shall submit proof acceptable to the Board of Administration establishing the fact of such other service with another governmental entity or such pre-1979 uncompensated maternity leave. An application to purchase buy back credit with respect to pre-1979 uncompensated maternity leave must be filed within one year of the effective date. Buy back credit for one or more periods of full-time service with another governmental entity prior to entrance or re-entrance into the City Employees' Retirement System may be purchased, except, however, such purchase shall be limited to not less than six months of uninterrupted service from a single entity. The six month minimum requirement does not apply to the Pre-1979 Uncompensated Maternity Leave.

(e) Agreement with the City Employees' Retirement System - Buy Back Methods.

A member electing to buy back credit described herein shall enter into a written agreement with the City Employees' Retirement System. Such agreement shall specify the amount to be paid for the purchase of this service credit.

(1) The amount to be paid pursuant to the buy back agreement shall equal (A) the member's contribution rate after any City defrayal, (B) times the member's annual salary rate at the time the agreement is entered into, and (C) times the number of full and partial years of service to be purchased. Partial years of service shall be rounded down to the full month. Such agreement shall identify the method of payment of the additional contributions required to fund the purchased credit, which will be a specific dollar payment.

(2) Notwithstanding paragraph (1), if the member had left his or her contributions on deposit with the government entity for which full-time service is being purchased until after the later of the member's date of hire by the City or the Presentation Date, the buy back purchase price will be the amount of member contributions and interest on deposit in the member's account with that government entity. For the purpose of purchasing service credit, the City Employees' Retirement System may either receive (A) eligible rollover distributions, as defined in Section 401(a)(31) of the Internal Revenue

Code, (B) rollover contributions, as defined in section 408(d)(3) of the Internal Revenue Code or (C) direct cash contributions, the timing of which shall be governed by subsection (b)(1) herein. The Board of Administration shall prescribe such rules and forms as are necessary to determine when proposed contributions hereunder qualify as rollover contributions.

(f) Method of Purchase.

(1) The purchase of service under this section may occur on either a pretax or after-tax basis. In the case of purchase on an after-tax basis, the member may elect to make the payment in a lump sum or in biweekly installments through payroll deduction subject to any applicable Internal Revenue Code restriction.

(2) As an alternative to after-tax contributions, contributions may be paid on a pre-tax basis, by payroll deduction only, if the member so elects at the time the buy back agreement is entered into. Such election, once filed, shall be irrevocable. The rules of Chapter 15 of Division 4 of the Administrative Code shall be fully applicable to such contributions, so that the wages of affected employees shall be considered reduced by the amount of employer contributions made under this subsection (2).

(3) Should the member elect to purchase the buy back service credit through payroll deduction, annual interest at a rate determined by the Board and set at the commencement of the agreement shall be charged. The minimum biweekly payroll deduction shall be \$25.00.

(g) Execution of the Agreement.

A member entering into a buy back agreement shall complete all contributions prior to the effective date of retirement in order to receive agreed upon buy back credit. In the event the member elects to retire prior to completion of the buy back agreement, the member may receive prorated buy back credit for that portion of the service with other governmental entities or pre-1979 uncompensated maternity leave which have been purchased by contributions already made and forfeit the remainder of credit covered by the agreement; or, the member may make a lump sum payment sufficient to complete the total payment covered by the agreement. Additionally, a member who elects to terminate an after-tax agreement prior to its completion, or at the time of retirement, may elect to receive a cash refund of the buy back contributions and interest payable upon the earlier of death, termination of employment or retirement or prorated buy back credit.

(h) Plan Member's Death.

In the event of the death of a member who has entered into a buy back agreement, the surviving eligible beneficiary of the member may elect a refund of the buy back contributions and interest thereon, elect to apply the credit or a portion thereof to the calculation of the benefits for which the survivor qualifies without the addition of buy back service credit or elect to complete the terms of the agreement with a lump sum payment of the remaining amount owed.

(i) Benefit Adjustment.

For the purpose of Section 508(2) of Article XXXIV of the Charter and parallel provisions of this Chapter 10 of Division 4 of the Administrative Code, accumulated contributions attributable to contributions under this subsection shall not be taken into account for the purpose of determining whether the pension otherwise payable to a member should be increased because accumulated contributions are the actuarial equivalent of an annuity equal to more than 50% of the retirement allowance computed using the primary percentage rate (e.g., 2/3% in Section 508C(2) of Article XXXIV of the Charter or 1.08% in Section 4.1022 of this chapter.).

(j) Administration.

The administration of this section shall be under the exclusive management and control of the Board of Administration. Said Board shall have and is hereby granted full power and authority to adopt and enforce all such rules and regulations as it may deem necessary for the carrying out of the provisions of this ordinance. The Board of Administration shall have the right to construe this section, to interpret any provision thereof, to make rules and regulations relating to this section, and to determine any factual questions arising in connection with this section's operation after such investigation or hearing as the Board may deem appropriate. Any decision made by the Board under the provisions of this section shall be conclusive and binding on all parties concerned.

(k) El Pueblo Employees.

Notwithstanding the above, persons who were employed by El Pueblo de Los Angeles State Historic Monument between May 17, 1977 and June 30, 1995 and who became members of CERS on July 1, 1995, may purchase service credit for their employment with the El Pueblo between May 17, 1977 and June 30, 1995. Applications to purchase such credit must be filed within one year of the Effective

Date of this ordinance. The service credit purchased under this section for employment at El Pueblo shall be treated the same as service credit under CERS including vesting, disability retirement and minimum qualification for service retirement.

Sec. 3. Subsection (a) of Section 4.1061 of the Los Angeles Administrative Code is hereby amended by adding the following unnumbered paragraph to read as follows:

"For the purpose of applying the limitations of section 415(e) of the Internal Revenue Code, the portion of the CERS that constitutes a defined benefit plan shall be the portion subject to reduction in the event that section 415(e) requires reduction of benefit or contributions."

Sec. 4. Division 4 of the Los Angeles Administrative Code is hereby amended by adding Section 4.1064 to Chapter 10 thereof, to read as follows:

Sec. 4.1064. Direct Rollovers.

(a) This section applies to distributions made on or after January 1, 1993. Notwithstanding any provision of the City Employees' Retirement System to the contrary that would otherwise limit a distributee's election under this part, a distributee may elect, at the time and in the manner prescribed by the Board of Administration, to have any portion of an eligible rollover distribution that is equal to at least \$200 paid directly to an eligible retirement plan specified by the distributee in a direct rollover.

(b) Definitions.

"Eligible rollover distribution": An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments made for the life of the distributee or the joint lives of the distributee and the distributee's designated beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under section 401(a)(9) of the Internal Revenue Code; and the portion of any distribution that is not includable in gross income; and any other distribution(s) that is reasonably expected to total less than \$200 during a year.

"Eligible retirement plan": An eligible retirement plan is an individual retirement account described in section 408(a) of the Code, an individual retirement annuity described in section 408(b) of the Code, an annuity plan described in section 403(a) of the Code, or a qualified plan described in section 401(a) of the Code, that accepts the distributee's eligible rollover distribution. However, in the case of an eligible rollover distribution to the surviving spouse, an eligible retirement plan is an individual retirement account or individual retirement annuity.

"Distributee": A distributee includes an employee or former employee. In addition, the employee's or former employee's surviving spouse and the employee's or former employee's spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in section 414(p) of the Code, are distributees with regard to the interest of the spouse or former spouse.

"Direct Rollover": A direct rollover is a payment by the plan to the eligible retirement plan specified by the distributee.

Sec. 5. Division 4 of the Los Angeles Administrative Code is hereby amended by adding Section 4.1800 to Chapter 18 thereof, to read as follows:

There is hereby created, established and adopted separate and apart from the City Employees' Retirement System a plan entitled the Excess Benefit plan to supplement the benefits of certain employees under the City Employees' Retirement System as defined in Article XXXIV of the Charter of the City of Los Angeles to the extent such benefits are reduced by the limitations on benefits imposed by Section 415 of the Internal Revenue Code of 1986 as amended.

(a) Definitions.

For the purpose of this ordinance, the following words and phrases shall have the meaning ascribed to them in this ordinance unless a different meaning is clearly indicated by the context:

"Board" or "Board of Administration" shall mean the Board of Administration as defined in Section 503 of Article XXXIV of the Charter of the City of Los Angeles.

"CERS" shall mean the City Employees' Retirement System as defined under Section 500 of Article XXXIV of the Charter of the City of Los Angeles.

"City" shall mean the City of Los Angeles.

"Code" shall mean the Internal Revenue Code of 1986 as amended.

"Participant" shall mean those employees eligible for participation in the Plan. As used herein, the term "employee" shall mean every person in the employ or service of the City as reflected on the payroll records of the City.

"Plan" shall mean the Excess Benefit Plan set forth herein, as amended from time to time.

(b) Eligibility.

Those employees who are members of the CERS and whose benefits at the time of payment are reduced by the limitation on benefits imposed by Section 415 of the Code shall be Participants hereunder.

(c) Benefits.

The benefits which each Participant shall be entitled to receive under this Plan shall be the difference between the actual benefits of such Participant under the CERS and the benefits that would have been payable under the CERS except for the limitations on benefits imposed by Section 415 of the Code. The benefits payable under this Plan shall be payable to the Participant or to any other person who is receiving or entitled to receive benefits with respect to the Participant under the CERS, and shall be paid in the same form, at the same times and for the same period as benefits are paid with respect to the Participant under the CERS. Notwithstanding the foregoing, the Board in its discretion may elect to pay a benefit under this Plan in a lump sum in the event that the actuarial equivalent present value of the benefit at the commencement of payment is \$5,000 or less.

The Board and the City shall make appropriate arrangements to deduct from all amounts paid under the Plan any taxes required to be withheld with respect to the Plan by any government or governmental agency.

Except as otherwise provided in the Plan, no right or benefit under the Plan shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance or charge, and any attempt to anticipate, alienate, sell, assign, pledge, encumber or charge such right or benefit shall be void. No such right or benefit shall in any manner be liable for or subject to the debts, liabilities or torts of a Participant or other benefit recipient. In addition, no right of a Participant or other benefit recipient under the Plan is transferable by inter vivos gift or testamentary disposition.

(d) Administration.

The Plan shall be under the exclusive management and control of the Board of Administration. The Board shall have and is hereby granted full power and authority to adopt and enforce all such rules and regulations as it may deem necessary for the carrying out of the provisions of this ordinance. The Board of Administration shall have the right to construe the Plan, to interpret any provision thereof, to make rules and regulations relating to the Plan, and to determine any factual questions arising in connection with the Plan's operation after such investigation or hearing as the Board may deem appropriate. Any decision made by the Board under the provisions of this ordinance shall be conclusive and binding on all parties concerned.

(e) Funding.

The Plan shall be unfunded, and benefits under the Plan shall be paid from the General Fund of the City of Los Angeles through an Excess Benefit Plan Fund hereby established for payment of administration expense and benefit payments, subject to the claims of the City's general creditors. No person other than the City shall by virtue of the provisions of the Plan have any interest in such amounts. Title to and beneficial ownership of any assets, whether cash or other investments which the City may earmark to pay any amount under the Plan, shall at all times remain in City, and Participants and any other persons entitled to benefits hereunder shall not have any property interest whatsoever in any specific assets of the City. The obligation of the City to make payments pursuant to the Plan is contractual only. No Participant or other person entitled to benefits hereunder shall have a preferred claim or lien on any assets of the City.

(f) Budget.

The Board of Administration shall annually prepare and transmit to the Mayor and Controller a budget setting forth the estimated cost of maintaining the Plan, which budget shall include therein:

1. A sum equal to 125% of the projected benefit payments to be made in the budget year, offset by any residual sum budgeted in a previous year and not expended for a previous year's benefit payments.
2. A sum estimated to provide for administrative costs of the Plan.

(g) Amendment or Termination of Plan.

The Council of the City of Los Angeles shall have the right to amend the Plan with the exception of this section, or terminate the Plan at any time. If the Plan is terminated, the actuarial equivalent present value of any remaining benefits payable

to a Participant or other person, increased by an amount determined by the Board to permit approximately the same after-tax payout over time to Participants as would have been realized in the absence of such termination, shall be paid in a lump sum 30 days after the termination of the Plan.

(h) Compliance with the Internal Revenue Code.

It is the intention that this Plan be a "qualified governmental excess benefit arrangement" within the meaning of Section 415(m) of the Code, and may at any time be amended to comply with the Code requirements to maintain such qualification and status. This Plan shall be deemed a "portion" of CERS solely to the extent required under, and within the meaning of, Section 415(m) of the Code, and not for any other purpose.

EUDON FERRELL
SUPERVISING CITY ATTORNEY

GARCELLE J. EMBRY
JOHN C. BLAIR
DEPUTY CITY ATTORNEYS

ATTORNEYS FOR THE
DEPARTMENT OF PENSIONS
AND

CITY EMPLOYEES' RETIREMENT SYSTEM

OFFICE OF
CITY ATTORNEY



JAMES K. HAHN
CITY ATTORNEY

PENSIONS DEPARTMENT

360 EAST 2ND STREET
SUITE 600
LOS ANGELES, CALIFORNIA 90012
TELEPHONE: (213) 485-4917

FACSIMILE: (213) 847-3529

REPORT NO. R 96 - 0465

DEC 16 1996

REPORT RE:

DRAFT ORDINANCE AMENDING DIVISION 4
OF THE LOS ANGELES ADMINISTRATIVE CODE
BY ADDING CHAPTER 18 THERETO TO PROVIDE FOR THE
ADMINISTRATION OF AN ADDITIONAL BENEFIT PLAN
BY THE CITY EMPLOYEES' RETIREMENT SYSTEM
AS REFLECTED IN THE LETTER OF AGREEMENT

The Honorable City Council
City Council, City of Los Angeles
Room 395, City Hall
Los Angeles, CA 90012

Honorable Members:

This office has prepared a draft of a proposed ordinance to amend the Los Angeles Administrative Code. The proposed ordinance creates the limited term retirement plan for elected officials.

The City Council is subject to Section 512.3 of the City Charter. Section 512.3 provides:

“(a) The Council may by ordinance adopted in accordance with Section 512.2 authorize the Board of Administration of the City Employees' Retirement System to administer retirement plans 1) for employees of the City who are not members of the City Employees' Retirement System or any other retirement system provided by this Charter, or 2) as a plan supplemental to any other pension or retirement plan established under this Charter. Such supplemental or alternative plans shall be separate and distinct from the City Employees' Retirement System and not subject to the definitions, conditions of entitlement or



TO THE COUNCIL OF THE
CITY OF LOS ANGELES

Your

BUDGET AND FINANCE

Committee

reports as follows:

Public Comments: Yes No
X —

BUDGET AND FINANCE COMMITTEE REPORT and ORDINANCE relative to creating reciprocity between the California Public Employees' Retirement System and other public agencies and the City Employees' Retirement System.

Recommendation for Council action, as recommended by the City Attorney:

1. PRESENT and ADOPT the accompanying ORDINANCE creating reciprocity between the California Public Employees' Retirement System (CALPERS) and other public agencies and the City Employees' Retirement System (CERS).
2. AUTHORIZE the Board of Administration of CERS to EXECUTE the accompanying Agreement for Reciprocal Benefits to be entered into by CALPERS and the City of Los Angeles and CERS. This agreement, drafted by CALPERS, incorporates the language which CALPERS deems acceptable to accomplish reciprocity upon the effective date of the ordinance.

[Ordinance to be considered again on second presentation at a public hearing scheduled before Council on July 8, 1997, as required by Charter Section 512.2]

3. HOLD a public hearing before the full City Council to consider the proposed changes in benefits paid by the CERS 30 days after the implementing ordinance is presented to Council; and to further present the actuarial evaluation relative to the cost of the benefit increases proposed in the subject ordinance to be submitted, in writing, at the July 8, 1997, public hearing, pursuant to Section 512.2 of the Charter.

(Requires 2/3 vote)

Fiscal Impact Statement: None submitted by the City Attorney's Office. Neither the City Administrative Officer nor the Chief Legislative Analyst has completed a financial analysis of this report.

SUMMARY:

In his report dated May 7, 1997, the City Attorney states that the City of Los Angeles along with the Board of Administration of the CERS have agreed, as required by the Charter of the City of Los Angeles, to enter into a contract with CALPERS to provide for reciprocity of retirement benefits.

TO THE COUNCIL OF THE
CITY OF LOS ANGELES

Your

BUDGET AND FINANCE

Committee

reports as follows:

To implement and to assure reciprocity with CALPERS and other public agencies maintaining independent retirement systems, it is required by statute that the reciprocity provisions be incorporated into the CERS plan. The Board of Administration of CALPERS has found that by incorporating the reciprocal provisions into our retirement plan by ordinance, problems with interpretation that may arise from a great variation in reciprocal provisions is avoided. Therefore the ordinance is submitted to accomplish this purpose.

The ordinance may be adopted by the City Council pursuant to the provisions of Section 512.2 of the City Charter subject to the following requirement: "(a) Ordinances adopted pursuant to this section must be approved by not less than two-thirds of the membership of the Council subject to the veto of the Mayor and readoption by the Council in the same manner as other ordinances requiring a two-thirds vote. No such ordinance may be finally adopted by the Council until the expiration of at least thirty days after its first presentation to the Council, nor until after a public hearing as been held thereon."

At its meeting of May 20, 1997, the Budget and Finance Committee concurred in the recommendations of the City Attorney and now submits this matter for Council consideration.

Respectfully submitted,

BUDGET AND FINANCE COMMITTEE

KC:amm
5/22/97

#961142

Michael F. ...
Lita Chatters

REPORT
ADOPTED

JUN 03 1997

LOS ANGELES CITY COUNCIL

ORD

OVER ONE

TO ...

July 8, 1997

ORD
ADOPTED

JUL 08 1997

LOS ANGELES CITY COUNCIL
TO THE MAYOR FORTHWITH
ACTUARIAL EVALUATION
REPT. NOTED & FILED

AGENDA NO. 5
 ALARCON.....YES
 CHICK.....YES
 HERNANDEZ.....YES
 WALTERS.....YES
 ALATORRE.....YES
 FEUER.....YES
 HOLZEN.....YES
 FERRARO.....YES
 BERNSON.....YES
 GALANTER.....YES
 RIDLEY-THOMAS.....YES
 WACHS.....ABO
 BRAUDE.....YES
 GOLDBERG.....YES
 SVORINICH.....YES

TIME:
 11 13 01

ORD 2nd reading - Adopted - Fortworth

AGENDA NO. 2
 ALARCON.....YES
 FEUER.....YES
 SVORINICH.....YES
 HERNANDEZ.....ABO
 ALATORRE.....YES
 GALANTER.....YES
 WACHS.....YES
 RIDLEY-THOMAS.....ABO
 BERNSON.....YES
 HOLZEN.....YES
 FERRARO.....YES
 WALTERS.....ABO
 CHICK.....YES
 MISCIKOWSKI.....YES
 GOLDBERG.....ABO

TIME:
 10 34 14

Actuarial Evaluation Not attached to file dated 6-6-97
 Noted & Filed

Section 512.3 of the City Charter also provides that no assets of the City Employees' Retirement Fund shall be used to provide the administrative or investment services for such other plans.

Section 512.2 of the City Charter provides:

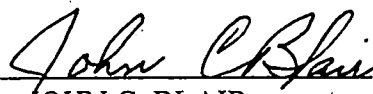
"(a) Ordinances adopted pursuant to this section must be approved by not less than two-thirds of the membership of the Council, subject to the veto of the Mayor and readoption by the Council in the same manner as other ordinances requiring a two-thirds vote. No such ordinance may be finally adopted by the Council until the expiration of at least thirty days after its first presentation to the Council, nor until after a public hearing has been held thereon."

Section 512.2 of the Charter provides that as a further condition to the final adoption of the proposed ordinance, an enrolled actuary must advise the Council, in writing, of the cost of the benefit increases.

Very truly yours,

JAMES K. HAHN, City Attorney

By 
GARCELLE EMBRY
Deputy City Attorney

By 
JOHN C. BLAIR
Deputy City Attorney

GJE:JCB:th
Attachments

(213) 485-4917

ORDINANCE NO. _____

An ordinance amending Division 4 of the Los Angeles Administrative Code by adding section 4.1850 to Chapter 18 thereto, so as to provide for the administration of an additional benefit plan by the City Employees' Retirement System.

THE PEOPLE OF THE CITY OF LOS ANGELES
DO ORDAIN AS FOLLOWS:

Section 1. Division 4 of the Los Angeles Administrative Code is hereby amended by adding Section 4.1850 to Chapter 18 thereof, to read as follows:

There is hereby created, established, and adopted a fund to be known as the "Limited Term Retirement Fund" for payment of administration expenses and benefits of the Plan. The Fund shall consist of all money paid into said Fund in accordance with the provisions of this Plan, and earnings from investments held in the Fund. The Fund shall be a trust fund, and its assets shall be held for the exclusive purposes of providing benefits to Participants and their Beneficiaries, and defraying reasonable expenses of administering the Plan, to the extent not reimbursed by the City.

The purpose of this Plan is to provide a portable retirement benefit for elected officials of the City of Los Angeles (the "City") whose terms are limited by the Charter of the City of Los Angeles (the "Charter"). Contributions made by the City to the Plan will be comparable to those made for members of the City Employees' Retirements System ("CERS"). It is intended that this Plan shall be a qualified plan under Section 401(a) of the Internal Revenue Code. This Plan is effective as of July 1, 1997.

(a) **Definitions.**

For the purpose of this ordinance, the following words and phrases shall have the meaning ascribed to them in this ordinance unless a different meaning is clearly indicated by the context:

"Average Member Cost" shall mean a percentage, in effect for such Plan Year, equal to the sum of: (1) The percentage of City contributions needed to fund the CERS for all benefits provided by the CERS; and (2) Any ancillary costs incurred by the City in support of benefits provided by the CERS expressed as a percentage of covered payroll.

"Beneficiary" shall mean any person or legal entity designated in accordance with Subsection (h) hereof.

"Board" or "Board of Administration" shall mean the Board of Administration as defined in Section 503 of Article XXXIV of the Charter of the City of Los Angeles.

"CERS" shall mean the City Employees' Retirement System as defined under Section 500 of Article XXXIV of the Charter of the City of Los Angeles.

"City" shall mean the City of Los Angeles.

"Code" shall mean the Internal Revenue Code of 1986 as amended.

"Compensation" shall mean the gross salary of a Participant, not including bonuses, other benefits or overtime. The annual compensation of each Participant taken into account for determining all benefits provided under this Plan for any Plan Year shall not exceed \$150,000 determined in accordance with Section 401(a)(17) of the Code and the regulations thereunder and as adjusted for increases in the cost-of-living in accordance with Section 401(a)(17)(B) of the Code. The cost-of-living adjustment in effect for a calendar year applies to the Plan Year beginning in such calendar year. If a Participant is an active member for less than a Plan Year then the compensation limit is an amount equal to the otherwise applicable annual compensation limit multiplied by a fraction, the numerator of which is the number of full months in which the Participant was an active member and the denominator of which is 12.

"Effective Date" shall mean July 1, 1997.

"Fund" shall mean the Limited Term Retirement Fund.

"Participant" shall mean those employees eligible for participation in this Plan. Those employees eligible to participate in this Plan are those employees who are elected officials of the City and who are eligible to, and effectively, elect to opt out of the CERS under section 502(B)(9) of Article XXXIV of the Charter of the City of Los Angeles. An employee shall cease to be a Participant as to additional contributions upon termination of employment with the City or entrance into a different retirement plan provided by the City. As used herein, the term "employee" shall mean a person in the employ or service of the City as reflected on the payroll records of the City.

"Plan" shall mean the Limited Term Retirement Plan set forth herein, as amended from time to time.

"Plan Year" shall mean a 12 month consecutive period commencing with July 1 of each year and ending with June 30 of the following year. The Plan Year shall be the "limitation year" for purposes of Section 415 of the Code.

"Valuation Date" shall mean the last day of each Plan Year. In addition, the Board may fix, in a uniform and nondiscriminatory manner, one or more interim or recurring Valuation Dates.

(b) Administration.

The Plan shall be under the exclusive management and control of the Board of Administration. The Board shall have and is hereby granted full power and authority to adopt and enforce all such rules and regulations as it may deem necessary for the carrying out of the provisions of this ordinance, and shall discharge its duties in accordance with

Article XVI, Section 17 of the Constitution of the State of California. The Board of Administration shall have the right to construe the Plan, to interpret any provision thereof, to make rules and regulations relating to the Plan, and to determine any factual questions arising in connection with the Plan's operation after such investigation or hearing as the Board may deem appropriate. Any decision made by the Board under the provisions of this ordinance shall be conclusive and binding on all parties concerned. For each fiscal year, the Board shall prepare and submit to the City Council a budget for the cost of administration of the Plan for that year. In the event that the City Council fails to pay such costs, such costs shall be paid from the Fund and allocated to Participants' accounts as an expense.

The Board shall manage and administer the Fund and shall invest the assets of said Fund. Each Participant shall direct the investments allocated to his or her account according to investment options and procedures determined by the Board.

(c) Participant Contributions.

Each Participant shall contribute six percent (6%) of his or her Compensation to the Fund by salary deduction. Such contributions shall be treated as employer contributions for purposes of taxation in accordance with Section 414(h)(2) of the Code and shall be paid from the same source of funds as is used in paying Compensation. For all other purposes, such contributions shall be treated as employee after-tax contributions. The wages of Participants shall be reduced by the amount of Participant contributions. Nothing herein shall be construed to permit or extend an option to Participants to directly receive Participant contributions instead of having them contributed to the Fund.

It shall be impossible for any part of the contributions or earnings made under this Plan and held in the Fund to be used for, or diverted to, purposes other than the exclusive benefit of Participants or their Beneficiaries. Notwithstanding the foregoing, the City shall be entitled to recover contributions made to the Plan by mistake of fact within one year after payment.

(d) Matching Contributions by the City.

For each Plan Year, the City shall contribute for each Participant the Average Member Cost of the Participant's Compensation to the Fund; and

City contributions shall be paid into the Fund and credited to the Participant's individual account at intervals and in accordance with procedures to be determined by the Board. Notwithstanding the foregoing, the balance of any contribution owed for a Plan Year shall be paid within two and one-half months after the end of such Plan Year and credited to Participants' accounts as of the last day of such Plan Year.

(e) Accounts.

The Board shall maintain an individual account of the contributions made by or for each Participant. Investment gains or losses, and expenses, shall be allocated to each respective account as of each Valuation Date.

Except as otherwise provided in the Plan, no right or benefit under the Plan shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance or charge, and any attempt to anticipate, alienate, sell, assign, pledge, encumber or charge such right or benefit shall be void. No such right or benefit shall in any manner be liable for or subject to the debts, liabilities or torts of a Participant. In addition, no right of a Participant under the Plan is transferable by inter vivos gift or testamentary disposition.

(f) Vesting.

Each Participant's interest in his or her account shall be 100% vested and nonforfeitable. Notwithstanding the foregoing, if the Board, acting upon information available to it, cannot locate a person entitled to receive a benefit under the Plan within a reasonable period of time as determined by the Board in its sole discretion after the benefit becomes payable and such person has not contacted the Board concerning the distribution by the end of such period, the amount of the benefit shall be treated as a forfeiture and shall be applied first to the payment of costs of administering the Plan, and second as a source of the matching contributions hereunder. If, prior to the date final distributions are made following termination of the Plan, a person who was entitled to a benefit which has been forfeited pursuant to this Section makes a claim to the Board for such benefit, such person shall be entitled to receive the amount of such benefit as soon as administratively feasible after such claim is received. The amount of the previously forfeited benefit shall be reinstated by the City.

(g) Benefit Payments.

Each Participant is entitled to receive a lump sum payment of his or her account balance upon termination of employment with the City or entrance into a different retirement plan provided by the City. Such payment shall be based upon the account balance as of the immediately preceding Valuation Date, and shall be made within sixty (60) days of entitlement. In no event shall a benefit be paid both from this Plan and from CERS, with respect to the same period of service by a Participant.

1. A distributee may elect, at the time and in the manner prescribed by the Board of Administration, to have any portion of a distribution that is equal to at least \$200 paid directly to an eligible retirement plan specified by the distributee in a direct rollover.

2. For purposes of subsection (1):

(i) Eligible retirement plan means an individual retirement account described in section 408(a) of the Code, an individual retirement annuity described in section 408(b) of the Code, an annuity plan described in section 403(a) of the Code, or a qualified plan described in section 401(a) of the Code, that accepts the distributee's rollover distribution. However, in the case of a distributee's rollover distribution to the surviving spouse, an eligible retirement plan is an individual retirement account or individual retirement annuity;

(ii) Distributee includes an employee or former employee. In addition, the employee's or former employee's surviving spouse and the employee's or former employee's spouse or former spouse who is the alternate payee under an order described in subsection (i) herein, are distributees with regard to the interest of the spouse or former spouse; and

(iii) A direct rollover is a payment by the Plan to the eligible retirement plan specified by the distributee.

(h) Provision for Death Benefit.

A Participant may designate a Beneficiary to receive a distribution of the Participant's account balance in the event of the death of the Participant prior to receipt by the Participant of the refund of his or her account balance. The Beneficiary may be either a person or a legal entity. If the designated Beneficiary is a minor, the account balance may be paid to the parent of the minor on behalf of the minor, or, if no parent, to the designated payee of such minor as approved by the Board. Said designation may be made by filing a written designation duly executed and filed with the Board. If there is no Beneficiary, the disbursement will be in the same order as the disbursement procedure detailed in Section 511 of Article XXXIV of the Charter of the City of Los Angeles.

(i) Provision for Distribution Upon Dissolution of Marriage.

Upon proper service with a court order, the Plan will comply with community property division requirements and distribute to the non-Participant spouse in a lump sum the required amounts regardless of whether the Participant is still an active member of the Plan.

(j) Compliance with Internal Revenue Code.

It is the intention that this Plan be a qualified plan within the meaning of Section 401(a) of the Code and a profit sharing plan within the meaning of Section 401(a)(27) of the Code, and may at any time be amended to comply with the Code requirements to maintain such qualification and status. Contributions shall not be dependent on the existence of profits.

Notwithstanding any provision herein to the contrary:

1. Participant and matching contributions to a Participant's account shall not exceed the lesser of \$30,000 or greater amount under Section 415(d)(1)(C) of the Code for the plan year or 25% of the Participant's "compensation" as defined in Treasury Regulation Section 1.415-2(d)(10) from the City during the Plan Year.

2. In any case where a Participant is also a participant under a defined benefit plan maintained by the City, the sum of the defined benefit plan fraction and the defined contribution plan fraction, as defined in Section 415(e) of the Code shall not exceed 1.0. Reduction of contributions to or benefits from all plans, where required, shall be accomplished by first reducing the contributions in this Plan.

3. This shall be applied in all respects in accordance with Section 415 of the Code and the regulations thereunder.

(k) Rollovers.

The Plan will accept rollover transfers from other qualified plans at the election of the Participant.

(l) Plan Termination and Amendment.

This Plan may be terminated or amended at any time by the Council. Upon termination, account balances shall be distributed to Participants in accordance with subsection (g) herein, unless the Board in its discretion or as directed by applicable law transfers the assets and benefit liabilities of this Plan to another qualified plan maintained for employees of the City. The Plan may be amended at any time to reduce or eliminate the City contribution on behalf of current and future Participants. However, no amendment shall reduce the vested interest of a Participant who has an account balance as of the date such amendment becomes effective.

Sec. 2. The City Clerk shall certify to the passage of this ordinance and cause the same to be published in some daily newspaper printed and published in the City of Los Angeles.

I hereby certify that the foregoing ordinance was passed by the Council of the City of Los Angeles, by a vote of **not less than two-thirds** of all of its members, at its meeting of _____.

J. MICHAEL CAREY, City Clerk

By _____
Deputy

Approved _____

Mayor

Approved as to Form and Legality

JAMES K. HAHN, City Attorney

By *Garcelle J. Embry*
GARCELLE J. EMBRY
Deputy City Attorney

By *John C. Blair*
JOHN C. BLAIR
Deputy City Attorney

File No. _____

EUDON FERRELL
SUPERVISING CITY ATTORNEY

GARCELLE J. EMBRY
JOHN C. BLAIR
DEPUTY CITY ATTORNEYS

ATTORNEYS FOR THE
DEPARTMENT OF PENSIONS
AND
CITY EMPLOYEES' RETIREMENT SYSTEM

OFFICE OF
CITY ATTORNEY



JAMES K. HAHN
CITY ATTORNEY

PENSIONS DEPARTMENT

360 EAST 2ND STREET
SUITE 600
LOS ANGELES, CALIFORNIA 90012
TELEPHONE: (213) 485-4917

FACSIMILE: (213) 847-3529

REPORT NO. R 96 - 0460
DEC 13 1996

REPORT RE:

RECIPROCITY AGREEMENT WITH THE
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
ON BEHALF OF THE CITY EMPLOYEES'
RETIREMENT SYSTEM

The Honorable City Council
City Council, City of Los Angeles
Room 395, City Hall
Los Angeles, CA 90012

Honorable Members:

In 1974 this office advised the City Administrative Officer that the City could enter into a reciprocity agreement with the California Public Employees' Retirement System ("PERS") through joint action of the Board of Administration of the CERS and the City Council authorizing entry into the agreement. See Op. No. 74-169. The need for joint approval results from the Board's exclusive authority to manage the CERS under Art. XXXIV of the City Charter and the Council's power under Charter §35 to carry out the powers of the City except as otherwise provided in the Charter. One such power is the consummation of contracts such as this reciprocity agreement.

Therefore, City approval of this agreement occurs only if both the Council and the Board have approved it.

Very truly yours,
JAMES K. HAHN, City Attorney

By *Garcelle J. Embry*

GARCELLE J. EMBRY
Deputy City Attorney

By *John C. Blair*

JOHN C. BLAIR
Deputy City Attorney

GJE:JCB:th



ORIGINAL

AGREEMENT FOR RECIPROCITY
BETWEEN THE CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
AND THE LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

This agreement is entered into between the State of California, acting through its California Public Employees' Retirement System ("PERS") (sometime referred to as "this system" or "this plan"), and the City of Los Angeles, acting through its City Council and Board of Administration of the City Employees' Retirement System ("CERS") (sometimes referred to as the "reciprocal system") for the purpose of extending to members of the CERS -- with similar reciprocal provisions being adopted into the CERS pursuant to California Government Code §§ 20042, 20043, 31840.2, and 45310.5 and by this contract agreeing to extend the benefits thereof to the PERS -- the following rights in the PERS, provided such member enters into employment under the PERS or CERS within six months of terminating his or her employment under either such system.

1. Notwithstanding any provisions of this plan or a reciprocal system plan in the matter of vesting, a member whose movement between systems occurs as herein specified shall have the right to elect to leave his or her accumulated contributions on deposit irrespective of the amount of such contributions or the length of service credited to him or her.
2. The age of entry for a person entering this system for purposes of fixing member contribution rates from a reciprocal system shall be his or her age at entry into such reciprocal system.
3. The average monthly salary during any period of service as a member of a reciprocal system shall be considered compensation earnable by a member of this system for purposes of computing final compensation for such member, provided he or she retires concurrently under both systems and is credited with such period of service under the reciprocal system at the time of retirement.
4. Service, solely for purposes of meeting minimum service qualifications for benefits and retirement allowances under this system, shall also include service rendered as an officer or employee of a reciprocal system if the salary for such service constitutes compensation earnable by a member of this system.

5. A member shall be retired for disability and receive a retirement allowance based on the service credited to him or her at the time of retirement during any period in which he or she receives a disability retirement allowance under a reciprocal system; provided, that such allowance shall not exceed an amount which when added to the allowance paid under the reciprocal system equals the allowance which would be paid for a nonindustrial disability if all the member's service had been credited under the reciprocal system; and provided further, that such allowance shall in no event be less than an annuity which is the actuarial equivalent of the member's contributions, whether or not the disability is for industrial reasons.

6. The death benefit for a member who dies from nonindustrial causes as a member of a reciprocal system shall not exceed an amount which when added to the death benefit paid for such member under the reciprocal system equals the maximum death benefit payable under that system; provided, however, that such death benefit shall be at least the amount of the accumulated contributions; and, provided further, that if death is caused by industrial injury or disease in the reciprocal system the death benefit shall be the amount of the member's accumulated contributions.

7. The governing body of this system shall on the request of a reciprocal system supply information and data necessary for administration of such system as it is affected by membership in and service credited under this system.

8. Interpretation of these provisions shall be made with reference to interpretations that have been made relative to the Public Employees' Retirement System - 1937 Act County Employees' Retirement reciprocal provisions upon which they are based.

9. These provisions shall apply only to a member whose termination and entry into employment resulting in a change in membership from this system to such other system or from such other system to this system occurred after such acceptance by the Board of Administration of the PERS after the effective date specified in the agreement; provided, however, that provisions relating to computation of final compensation shall apply to any other member if such provision would have applied had the termination and entry into employment occurred after such acceptance or determination by a system's governing board.

10. Rights under this system shall be modified as necessary to conform to amendments to the Public Employees' Retirement Law or the County Employees' Retirement Law of 1937 as provided in California Government Code § 20042.

11. Approval of this agreement by the City shall require the concurrence of the City Council and the Board of Administration of the CERS and shall be evidenced by subscription to this agreement by the President of the City Council and the President of the Board of Administration of the CERS.

BOARD OF ADMINISTRATION OF PERS

By _____

CITY OF LOS ANGELES

By _____
JOHN FERRARO
President
Los Angeles City Council

By _____
WILLIAM DOHENY
President
Board of Administration
City Employees' Retirement System

Approved as to form:

JAMES K. HAHN
City Attorney

By _____

Attest:

J. MICHAEL CAREY
Acting City Clerk

By _____

Letter of Agreement
Regarding City Employees Retirement System
Portability and Pension Protection

The parties to this Letter of Agreement are the City (hereinafter Management) and the employee organizations (hereinafter Unions) listed below who represent employees who are members of the City Employees Retirement System (hereinafter CERS) as provided for in Section 502 of the City Charter.

The parties agree to implement changes in the benefits provided by CERS described below: The basic provisions of the contract are outlined on the attachment.

1. Enter into a Reciprocity Agreement with the California Public Employees Retirement System (PERS).
2. Create a Government Service Credit (GSC) Program for the purchase of full time service with a Government Entity other than the City of Los Angeles., pre-1979 unpaid maternity leave and service with El Pueblo.
3. Amend the existing Public Service Buy Back Program to allow employees to rescind their participation in order to enroll in the GSC program.
4. Create an Excess Benefit Plan to provide full retirement benefits to CERS members who exceed limits specified under Section 415 of the Internal Revenue Code.

The designation of the program administrator will be the sole discretion of the Mayor and Council.

This Letter of Agreement constitutes a joint recommendation of Management and the Unions and shall not be binding in whole or in part on the parties listed below unless and until the City Council has approved the Letter of Agreement in the manner required by law. The changes described above require ordinances to be implemented. Therefore, the changes will become operative on the effective date of the ordinances unless otherwise specified.

For purposes of constructing this instrument, all language herein is deemed to have been jointly drafted by the parties.

(Signature page follows)

For the City:

K. Cunningham
City Administrative Officer

12-13-96
Date

For the Employee Organizations

Airport Supervisory Police Officers Assn. of LA

Cheryl Parisi
AFSCME

Date

Dec 5, 1996
Date

Shelly K. Smith
LA City Attorneys Assn.

12/11/96
Date

Robert J. Duncan
Engineers and Architects Assn.

Date

Los Angeles Airport Peace Officers Assn.

John Fort
SEIU Local 347

Date

12/5/96
Date

Skip Hank
LA/Orange County Building Trades Council

5-Dec-96
Date

Betty Anderson
L.A. City Supervisors and Superintendents Assn

12/6/96
Date

L. A. Port Pilots Assn.

Date

L.A. Port Police Assn.

Date

Charles M. Minis
L.A. Professional Managers Assn.

11/25/96
Date

Paul J. Thomas
Local 501, Operating Engineers

11-26-96
Date

Ralph Delmar
Municipal Construction Inspectors Assn.

Date

Municipal Construction Inspectors Assn.

Date

DESCRIPTION OF PROPOSED CERS BENEFITS

PORTABILITY

A. PERS Reciprocity

The City will apply for reciprocity with the California Public Employees Retirement System (PERS). Reciprocity allows member to receive benefits (if other eligibility requirements are met) using the salary from the last employer for computation purposes. If PERS approves the application, Management will take all steps necessary to enter into a contract with PERS.

B. Government Service Credit (GSC) Program

1. Eligible Service:

- a. Government service (U.S. entities only including the United States Postal Service), other than employment with the City of Los Angeles. Service with a government agency with which the City has a reciprocity agreement (or reciprocal arrangement) or for which the employee is or will receive retirement benefits are not eligible for GSC. Any amount of eligible public service may be purchased.
- b. Mandatory unpaid maternity leave (pre -1979). (Applications for credit must be filed within one year of the effective date of the ordinance implementing this provision.)
- c. Service with the El Pueblo de Los Angeles State Historic Monument, for persons who were employed by the institution between May 17, 1977 and June 30, 1995 who became members of CERS on July 1, 1995. (Applications for credit must be filed within one year of the effective date of the ordinance implementing this provision.)

2. Uses of Purchased Credit

- a. Eligibility for all CERS benefits (e.g. retirement, health subsidy, FDBIP), but not vesting unless the service was with El Pueblo.
- b. Amount of benefit (i.e. formula).

3. Employee Cost

- a. direct purchase
 - i. amount: $\text{current contribution rate} \times \text{current annual salary} \times \text{number of years to purchase}$
 - ii. payment: lump sum (up to IRS limits which are currently \$30,000 annually) or payroll deduction on a pre- or post- tax basis under rules promulgated by the program administrator.

ELIAS MARTINEZ
City Clerk

J. Michael Carey
Executive Officer

When making inquiries
relative to this matter
refer to File No.

CITY OF LOS ANGELES
CALIFORNIA



RICHARD J. RIORDAN
MAYOR

Office of
CITY CLERK
Council and Public Services
Room 395, City Hall
Los Angeles, CA 90012
Council File Information - (213) 485-5703
General Information - (213) 485-5705

Pat Healy
Chief Legislative Assistant

96-1422

May 9, 1997

BUDGET AND FINANCE COMMITTEE

In accordance with Council Rules, communication from the City Attorney relative to ordinance creating reciprocity between the Public Employees Retirement System and other public agencies and the City Employees' Retirement System, was referred on May 8, 1997, to the BUDGET AND FINANCE COMMITTEE.

J. Michael Carey

City Clerk
et





JAMES K. HAHN
CITY ATTORNEY

Office of the City Attorney
Los Angeles, California

CRIMINAL BRANCH
(213) 485-5452

CIVIL BRANCH
(213) 485-6370

WRITER'S DIRECT DIAL

NUMBER (213) 485-4917

REPORT NO. R97-0142

REPORT RE: MAY 7 1997

ORDINANCE CREATING RECIPROCITY BETWEEN THE
PUBLIC EMPLOYEES' RETIREMENT SYSTEM AND OTHER
PUBLIC AGENCIES AND THE CITY EMPLOYEES'
RETIREMENT SYSTEM

The Honorable City Council
of the City of Los Angeles
Room 395, City Hall
Los Angeles, California 90012

Honorable Members:

The City of Los Angeles along with the Board of Administration of the City Employees' Retirement System (CERS) have agreed, as required by the Charter of the City of Los Angeles, to enter into a contract with the California Public Employees' Retirement System (CALPERS) to provide for reciprocity of retirement benefits.

To implement and to assure reciprocity with CALPERS and other public agencies maintaining independent retirement systems, it is required by statute that the reciprocity provisions be incorporated into the CERS plan. The Board of Administration for CALPERS has found that by incorporating the reciprocal provisions into our retirement plan by ordinance, problems with interpretation that may arise from a great variation in reciprocal provisions is avoided. Therefore, the attached ordinance is submitted to accomplish this purpose.

The ordinance may be adopted by the City Council pursuant to the provisions of Section 512.2 of the City Charter subject to the following requirement:

"(a) Ordinances adopted pursuant to this section must be approved by not less than two-thirds of the membership of the Council subject to the veto of the Mayor and readoption by the Council in the

BUDGET AND FINANCE
PERSONNEL
MAY 08 1997



FILE
CITY CLERK

'97 MAY -7 AM 11:24

CITY CLERK

BY _____


DEPT

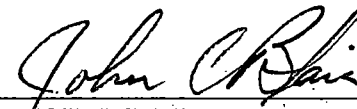
same manner as other ordinances requiring a two-thirds vote. No such ordinance may be finally adopted by the Council until the expiration of at least thirty days after its first presentation to the Council, nor until after a public hearing has been held thereon."

Also attached, is an Agreement for Reciprocal Benefits to be entered into by CALPERS and the City of Los Angeles and CERS. This agreement, drafted by CALPERS, incorporates the language which CALPERS deems acceptable to accomplish reciprocity upon the effective date of the ordinance.

Very truly yours,

JAMES K. HAHN, City Attorney

By 
GARCELLE J. EMBRY
Deputy City Attorney

By 
JOHN C. BLAIR
Deputy City Attorney

ORDINANCE NO. _____

An ordinance amending Division 4 of the Los Angeles Administrative Code by adding Section 4.1065 to Chapter 10 thereof, so as to provide for Reciprocity with the Public Employees' Retirement System.

THE PEOPLE OF THE CITY OF LOS ANGELES
DO ORDAIN AS FOLLOWS:

Section 1. Division 4 of the Los Angeles Administrative Code is hereby amended by adding Section 4.1065 to Chapter 10 thereof, to read as follows:

**Sec. 4.1065. Reciprocal Benefits with the Public Employees'
Retirement System**

(a) Uniform Reciprocal Provisions

The purpose of these reciprocal provisions is to extend to the members of other public agency retirement systems (hereinafter "reciprocal system") which adopt similar reciprocal provisions into their retirement ordinances or plans pursuant to Sections 20351, 20353, 31840.2 and 45310.5 of the Government Code, and who by contract agree to extend the benefits thereof to the City Employees Retirement System (hereinafter "this system"), the following rights in this system, provided such member enters into employment under this system or the reciprocal system within six months of terminating his or her employment under such other or this system:

(1) Notwithstanding any provisions of this plan or a reciprocal system plan in the matter of vesting, a member whose movement between systems occurs as herein specified shall have the right to elect to leave his or her accumulated contributions on deposit irrespective of the amount of such contributions or the length of service credited to him or her.

(2) The age of entry for a person entering this system for purposes of fixing member contribution rates from a reciprocal system shall be his or her age at entry into such reciprocal system.

(3) The average monthly salary during any period of service as a member of a reciprocal system shall be considered compensation earnable by a member of this system for purposes of computing final compensation for such member, provided he or she retires concurrently under both systems and is credited with such period of service under the reciprocal system at the time of retirement.

(4) Service, solely for purposes of meeting minimum service qualifications for benefits and retirement allowances under this system, shall also include service rendered as an officer or employee of a reciprocal system if the salary for such service constitutes compensation earnable by a member of this system.

(5) A member shall be retired for disability and receive a retirement allowance based on the service credited to him or her at the time of retirement during any period in which he or she receives a disability retirement allowance under a reciprocal system; provided, that such allowance shall not exceed an amount which when added to the allowance paid under the reciprocal system equals the allowance which would be paid for a non-industrial disability if all the member's service had been credited under the reciprocal system; and provided further, that such allowance shall in no event be less than an annuity which is the actuarial equivalent of the member's contributions, whether or not the disability is for industrial reasons.

(6) The death benefit for a member who dies from non-industrial causes as a member of a reciprocal system shall not exceed an amount which when added to the death benefit paid for such member under the reciprocal system equals the maximum death benefit payable under that system; provided, however, that such death benefit shall be at least the amount of the accumulated contributions; and, provided further, that if death is caused by industrial injury or disease in the reciprocal system the death benefit shall be the amount of the member's accumulated contributions.

(7) The governing body of this system shall on the request of a reciprocal system supply information and

data necessary for administration of such system as it is affected by membership in and service credited under this system.

(8) Interpretation of these provisions shall be made with reference to interpretations that have been made relative to the Public Employees' Retirement System - 1937 Act County Employees' Retirement reciprocal provisions upon which they are based.

(9) These provisions shall apply only to a member whose termination and entry into employment resulting in a change in membership from this system to such other system or from such other system to this system occurred after such acceptance by the board or after the effective date specified in the agreement; provided, however, that provisions relating to computation of final compensation shall apply to any other member if such provision would have applied had the termination and entry into employment occurred after such acceptance or determination by a system's governing board.

(10) Rights under this System shall be modified as necessary to conform to amendments to the Public Employees' Retirement Law or the County Employees' Retirement Law of 1937 as provided in Section 20353, Government Code.

Sec. 2. The City Clerk shall certify to the passage of this ordinance and cause the same to be published in some daily newspaper printed and published in the City of Los Angeles.

I hereby certify that the foregoing ordinance was passed by the Council of the City of Los Angeles, by a vote of **not less than two-thirds** of all of its members, at its meeting of _____.

J. MICHAEL CAREY, City Clerk

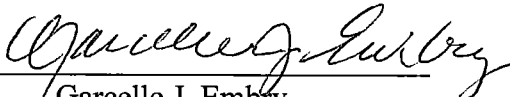
By _____
Deputy


Approved _____

Mayor

Approved as to Form and Legality

James K. Hahn, City Attorney

By 
Garcelle J. Embry
Deputy City Attorney

By 
John C. Blair
Deputy City Attorney

AGREEMENT FOR RECIPROCAL BENEFITS
BETWEEN THE
BOARD OF ADMINISTRATION OF THE
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
AND THE
CITY OF LOS ANGELES AND
THE BOARD OF ADMINISTRATION FOR
THE CITY EMPLOYEES' RETIREMENT SYSTEM

The Board of Administration, Public Employees' Retirement System, hereinafter referred to as Board, and the governing body of the City Employees' Retirement System, hereinafter referred to as "Public Agency", hereby agree to extend each to the other reciprocal benefits as provided by Sections 20351, 20353, 31840.2 and 45310.5 of the Government Code, which benefits are more particularly set forth in the memorandum Uniform Reciprocal Provisions attached hereto and incorporated herein.

The parties hereto agree that this agreement shall be in effect on and after the effective date of the Public Agency's ordinance providing for reciprocal benefits, that date being _____.

WHEREFORE, the parties have executed this agreement on the date and place hereinafter set forth.

Date: _____

BOARD OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

By: _____
DIVISION CHIEF
ACTUARIAL & EMPLOYER
SERVICES DIVISION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Date: _____

CITY OF LOS ANGELES

By _____
JOHN FERRARO
President
Los Angeles City Council

By

WILLIAM DOHENY

President

Board of Administration

City Employees' Retirement System

Approved as to form:

JAMES K. HAHN

City Attorney

By

Attest:

J. MICHAEL CAREY

City Clerk

By

J. MICHAEL CAREY
CITY CLERK

CITY OF LOS ANGELES
CALIFORNIA



RICHARD J. RIORDAN
MAYOR

OFFICE OF THE
CITY CLERK
ROOM 395, CITY HALL
LOS ANGELES, CA 90012
(213) 485-5708
FAX (213) 237-0636

96 -1422

January 28, 1997

PLACE IN FILES

FEB 04 1997

DEPUTY

All City Departments

RE: AMENDING DIVISION 4 OF THE LOS ANGELES ADMINISTRATIVE CODE BY ADDING AND AMENDING VARIOUS SECTIONS TO CHAPTER 10 AND ADDING CHAPTER 18, TO PROVIDE FOR CHANGES IN BENEFITS PROVIDED BY THE CITY EMPLOYEES' RETIREMENT SYSTEM.

At its meeting of January 22, 1997, the City Council adopted Ordinance No. 171487 which provides for several changes in employee benefits provided by the City Employees' Retirement System, including provisions related to reciprocity with the California State Public Employees Retirement System, allowing employees in systems not reciprocal with the State PERS to transfer their contributions and credit to the City, and, the creation of an excess benefit plan. This ordinance was published and is effective on January 24, 1997.

Also, on January 22, 1997, the City Council adopted Ordinance No. 171488 which establishes a limited term retirement plan and fund for term limited elected officials of the City of Los Angeles to be operative July 1, 1997.

Attached for your information are copies of the ordinances described above.

J. Michael Carey

J. MICHAEL CAREY
City Clerk

AF
KE
2-3-97

Mayor's Time Stamp

TIME LIMIT FILES
ORDINANCES

City Clerk's Time Stamp

FORTHWITH

COUNCIL FILE NUMBER 96-1422

COUNCIL DISTRICT _____

COUNCIL APPROVAL DATE JANUARY 22, 1997 LAST DAY FOR MAYOR TO ACT

FEB 03 1997

ORDINANCE TYPE: ☐ Ord of Intent ☐ Zoning ☐ Personnel ☐ General

☐ Improvement ☐ LAMC ☒ LAAC ☐ CU or Var Appeals - CPC No. 97 JAN 23 AM 11:31

SUBJECT MATTER 97 JAN 22 (1) 35

DEPUTY MAYOR

AMENDING DIVISION 4 BY ADDING AND AMENDING VARIOUS SECTIONS TO CHAPTER 10 AND ADDING CHAPTER 18 THERETO, SO AS TO PROVIDE PORTABILITY BY MAKING THE CITY EMPLOYEES' RETIREMENT SYSTEM RECIPROCAL WITH THE CALIFORNIA STATE PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS), ALLOWING EMPLOYEES IN SYSTEMS NOT RECIPROCAL WITH STATE PERS TO TRANSFER THEIR CONTRIBUTIONS AND CREDIT TO THE CITY (TEACHERS; ETC.), FOR SYSTEMS WHERE EMPLOYEES DID NOT CONTRIBUTE TO THEIR PENSION SYSTEM IT ALLOWS THEM TO PAY IN AN AMOUNT EQUAL TO WHAT THEY NOW PAY FOR CITY CREDIT (MILITARY; ETC.), AND THE CREATION OF AN EXCESS BENEFIT PLAN, SAID PROVISIONS TO BE EFFECTIVE UPON PUBLICATION OF THE ORDINANCE

- (2) AMENDING DIVISION 4 BY ADDING SECTION 4.1850 TO CHAPTER 18 TO ESTABLISH A LIMITED TERM RETIREMENT PLAN AND FUND FOR TERM LIMITED ELECTED OFFICIALS OF THE CITY OF LOS ANGELES TO BE EFFECTIVE JULY 1, 1997

RECOMMENDATIONS:

B+F COMTE
PLANNING COMMISSION

APPROVED DISAPPROVED

X

DIRECTOR OF PLANNING

CITY ATTORNEY

X

X

DATE OF MAYOR APPROVAL, DEEMED APPROVED OR *VETO: 97 JAN 23 1997

*VETOED ORDINANCES MUST BE ACCOMPANIED WITH OBJECTIONS IN WRITING PURSUANT TO CHARTER SEC. 29

(CITY CLERK USE ONLY PLEASE DO NOT WRITE BELOW THIS LINE)

DATE RECEIVED FROM MAYOR 1-23-97

ORDINANCE NO.

171487

171488

2-24-97

DATE PUBLISHED 1-24-97

DATE POSTED _____

EFFECTIVE DATE See above

ORD OF INTENT: HEARING DATE _____ ASSESSMENT CONFIRMATION _____

RECEIVED
CITY CLERK'S OFFICE

97 JAN 23 AM 9:30

CITY CLERK
BY _____
DEPUTY

FEB 03 1998

1-11-98
151400

ORDINANCE NO. 171487

An ordinance amending Division 4 of the Los Angeles Administrative Code by adding and amending various sections to Chapter 10 and by adding Chapter 18 thereto, so as to provide for changes in benefits provided by the City Employees' Retirement System.

THE PEOPLE OF THE CITY OF LOS ANGELES
DO ORDAIN AS FOLLOWS:

Section 1. Division 4 of the Los Angeles Administrative Code is hereby amended by amending Section 4.1052.1 to Chapter 10 thereof, to read as follows:

Sec. 4.1052.1. Buy Back of Full-time Service With Other Governmental Entities, Including Military Service; Buy Back of Periods of Uncompensated Leave from City Service.

(a) **Definitions.**

For the purpose of this section, the following words and phrases shall have the meaning ascribed to them in this subsection unless a different meaning is clearly indicated by the context:

"Governmental Entity" shall mean the United States Government including its territories, any agency of the United States Government and any branch of the United States military service; any State or political subdivision thereof; any local government or special district within any State in the United States; and shall exclude non-governmental agencies supported by government contracts or grants.

"Full-time Service" shall mean a minimum of six months of uninterrupted service with an eligible governmental entity, excluding part-time service and service for which the member is currently eligible or will become eligible to receive a pension.

"Leave of Absence" shall mean an approved uncompensated leave of absence from city service, excluding any period of absence due to disciplinary suspension.

"Buy Back" shall mean purchase by a member of retirement credit for periods of eligible service with other governmental entities or purchase by a member of retirement credit for eligible leaves of absence from city service.

"Government Service Credit Program" shall mean the method for the buy back of retirement credit set forth in section 4.1052.2.

(b) Eligibility.

Every person who is a member on the effective date of this section or who shall become a member subsequent thereto shall be eligible to buy back credit for periods of full-time service with other governmental entities and to buy back credit for periods of uncompensated leave of absence from city service.

(c) Application of Buy Back Credit.

A member electing to buy back eligible periods of full-time previous service with other governmental entities or periods of leave of absence from city service may apply buy back credit to increase service retirement benefit credit. Buy back credit shall not be used to meet minimum qualification for service retirement, disability retirement or vested retirement or to qualify for the Family Death Benefit Insurance Plan; or to qualify for or increase health and dental insurance premium subsidies.

(d) Effect of Benefit Increases.

Effective with respect to members on the active payroll on or after the effective date of this section, if retirement benefits should be increased by City Council action pursuant to Section 512.2 of the City Charter, such increased benefits shall be applicable to service credits purchased pursuant to this section.

(e) Minimum Periods of Purchase.

A member electing to buy back credit for previous service with other governmental entities or for periods of uncompensated leave of absence, shall file with the Board of Administration a written application identifying the time periods and agencies for which credit is to be purchased, and shall submit proof acceptable to the Board of Administration establishing the fact of such other service with another governmental entity or leaves of absence. Buy back credit for one or more periods of full-time service with another governmental entity prior to entrance or re-entrance into the City Employees' Retirement System may be purchased, except, however, such purchase shall be limited to not less than six months of uninterrupted service from a single entity. A member may buy back credit for one or more periods of uncompensated leave, except, however, a minimum of six months of leave in the aggregate shall be purchased. Total buy back credit purchased shall not exceed the member's actual city service at the time the buy back is concluded.

(f) Agreement with the City Employees' Retirement System - Buy Back Methods.

A member electing to buy back credit described herein shall enter into a written agreement with the City Employees' Retirement System. Such agreement shall provide that the member contribute an amount equal to the present value of the liability incurred by the System in crediting the service based upon actuarial assumptions in effect at the time the agreement is entered into or amended and the projected retirement date contained in the agreement. Such agreement shall identify the method of payment of the additional contributions required to fund the purchased credit, which may be a specific dollar payment or percent of salary obligation. If a member elects to make the required contribution by a specific dollar payment, the payment may be made in a lump sum or in biweekly installments through payroll deduction over a period not to exceed five years. If the member elects to enter into a percent of salary obligation, the member shall agree to make the contributions as a percent of salary through payroll deduction over a period extending from the date of the agreement with the City Employees' Retirement System to a projected retirement date included in the agreement. Contributions made through payroll deduction may be paid on a pre-tax basis if the member so elects at the time the buy back agreement is entered into. Such election, once filed, shall be irrevocable. The rules of Chapter 15 of Division 4 of the Administrative Code shall be fully applicable to such contributions, so that the wages of affected employees shall be considered reduced by the amount of employer contributions made under this subsection.

(g) Execution of the Agreement.

A member entering into a buy back agreement shall complete all contributions prior to the effective date of retirement in order to receive agreed upon buy back credit. In the event the member elects to retire at an earlier age than specified in the agreement, the member may receive prorated buy back credit for that portion of the service with other governmental entities or periods of uncompensated leaves of absence which have been purchased by contributions already made and forfeit the remainder of credit covered by the agreement; or, the member may make a lump sum payment sufficient to complete the total payment covered by the agreement. In the event the member elects to retire at a later date than the age specified in the agreement, contributions shall cease at the age specified and no further adjustments shall be made in buy back credit or the cost of such credit. A member who elects to terminate the agreement prior to its completion, or at the time of retirement, shall forfeit buy back credit and receive a cash refund of the buy back contributions and interest thereon. An active member who has entered into an agreement or completed an agreement under this program prior to the effective date of the Government Service Buy Back Program and who would otherwise qualify to participate in that Program,

may elect to rescind such agreement and have their contributions to date apply to the Government Service Buy Back Program. The excess, if any, of the member's contributions paid under this section over the total contributions required from the member under the Government Service Buy Back Program with respect to the same service shall be refunded, with interest, upon the earlier of death, termination of employment or retirement.

(h) Plan Member's Death.

In the event of the death of a member who has entered into a buy back agreement, the surviving eligible beneficiary of the member may elect a refund of the buy back contributions and interest thereon, or elect to apply the credit or a portion thereof to the calculation of the benefits for which the survivor qualifies without the addition of buy back service credit or elect to complete the terms of the agreement with a lump sum payment of the remaining amount owed.

(i) Administration.

The administration of this section shall be under the exclusive management and control of the Board of Administration. Said Board shall have and is hereby granted full power and authority to adopt and enforce all such rules and regulations as it may deem necessary for the carrying out of the provisions of this ordinance. The Board of Administration shall have the right to construe this section, to interpret any provision thereof, to make rules and regulations relating to this section, and to determine any factual questions arising in connection with this section's operation after such investigation or hearing as the Board may deem appropriate. Any decision made by the Board under the provisions of this section shall be conclusive and binding on all parties concerned.

(j) Subsection (j) is hereby repealed.

Sec. 2. Division 4 of the Los Angeles Administrative Code is hereby amended by adding Section 4.1052.2 to Chapter 10 thereof, to read as follows:

Sec. 4.1052.2. Buy Back of Full-time Service With Other Governmental Entities, Including Military Service; Buy Back of Periods of Uncompensated Maternity Leave.

(a) Definitions.

For the purpose of this section, the following words and phrases shall have the meaning ascribed to them in this subsection unless a different meaning is clearly indicated by the context:

"Buy Back" shall mean purchase by a member of retirement credit for periods of eligible service with other governmental entities or purchase by a member of retirement credit for pre-1979 uncompensated maternity leave.

"Effective Date" shall mean the effective date of the ordinance adopting this section.

"Full-time Service" shall mean a minimum of six months of uninterrupted service with an eligible governmental entity, excluding part-time service.

"Governmental Entity" shall mean the United States Government including its territories, any agency of the United States Government, the United States Postal Service and any branch of the United States military service; any State or political subdivision thereof; any local government or special district within any State in the United States; and shall exclude non-governmental agencies supported by government contracts or grants and any prior service with the City of Los Angeles.

"Pre-1979 Uncompensated Maternity Leave" shall mean a leave of absence from City Service taken for maternity reasons without pay prior to April 29, 1979 due to the City policy not allowing usage of paid time for pregnancy leave purposes, not to exceed the total of accrued paid sick and vacation hours that were available to the member at the time of commencement of such leave and not to exceed six months with respect to any one pregnancy.

"Presentation Date" shall mean the date that the ordinance adopting this section was first presented to the Council in any form.

"Prior Plan" shall mean a retirement plan of a governmental entity in which the member was a participant during full-time service.

(b) Eligibility.

Every person who is a member on the effective date of this section or who shall become a member subsequent thereto shall be eligible to buy back credit for periods of full-time service with other governmental entities and to buy back credit for periods of Pre-1979 Uncompensated Maternity Leave. Notwithstanding the foregoing:

(1) Members may not buy back credit for periods of service for which they are currently eligible or will become eligible to receive a retirement benefit from a Prior Plan. For purposes of the previous sentence,

a member shall be treated as eligible for such benefit from a Prior Plan even if the member will not receive such benefit solely due to the member's withdrawal of member contributions and interest from the Prior Plan, unless such withdrawal occurred prior to the later of the member's date of hire by the City or the Presentation Date or unless the member deposits the amount of such withdrawal as the buy back purchase price, in accordance with subsection (f)(2) hereof, within 90 days of such withdrawal. In addition, a member shall be treated as eligible for such benefit from a prior plan if the member received at any time a distribution from the prior plan in excess of member contributions and interest with respect to such period of service. The Board may extend such 90 day period if required for compliance with Section 415 of the Internal Revenue Code. In the event that prior to the attainment of the minimum age and service for a service retirement under CERS, the member becomes eligible to receive currently or in the future a retirement benefit from the prior plan with respect to such period of service, the corresponding buy back credit shall be canceled and the member shall receive a refund of the payments made under subsection (f) with respect to such buy back credit, with interest, payable upon the earlier of death, termination of employment, or retirement from City Service.

(2) Members are not allowed to buy back credit for periods of service from a governmental entity which provides reciprocal benefits with CERS and for which that member would be entitled to those reciprocal benefits. For purposes of the previous sentence, a member shall be treated as entitled to reciprocal benefits even if the member will not receive such benefits solely due to the member's withdrawal of member contributions and interest from the Prior Plan, unless such withdrawal occurred prior to the later of the member's date of hire by the City or the Presentation Date.

(3) Only a member performing "City Service" as defined in Section 501 of Article XXXIV of the Charter shall be eligible to execute a buy back agreement.

(4) For purposes of this section, the date of a withdrawal shall be deemed to be the date of receipt of the proceeds of the withdrawal by the member or other designated recipient.

(c) Application of Buy Back Credit.

The service credit purchased under this section shall be treated the same as service credit under CERS except that it shall not be taken into account for

establishing the minimum five year service requirement for service retirement, disability retirement or vested retirement.

(d) Minimum Periods of Purchase.

A member electing to buy back credit for previous service with other governmental entities or for periods of Pre-1979 Uncompensated Maternity Leave, shall file with the Board of Administration a written application identifying the time periods and agencies for which credit is to be purchased, and shall submit proof acceptable to the Board of Administration establishing the fact of such other service with another governmental entity or such pre-1979 uncompensated maternity leave. An application to purchase buy back credit with respect to pre-1979 uncompensated maternity leave must be filed within one year of the effective date. Buy back credit for one or more periods of full-time service with another governmental entity prior to entrance or re-entrance into the City Employees' Retirement System may be purchased, except, however, such purchase shall be limited to not less than six months of uninterrupted service from a single entity. The six month minimum requirement does not apply to the Pre-1979 Uncompensated Maternity Leave.

(e) Agreement with the City Employees' Retirement System - Buy Back Methods.

A member electing to buy back credit described herein shall enter into a written agreement with the City Employees' Retirement System. Such agreement shall specify the amount to be paid for the purchase of this service credit.

(1) The amount to be paid pursuant to the buy back agreement shall equal (A) the member's contribution rate after any City defrayal, (B) times the member's annual salary rate at the time the agreement is entered into, and (C) times the number of full and partial years of service to be purchased. Partial years of service shall be rounded down to the full month. Such agreement shall identify the method of payment of the additional contributions required to fund the purchased credit, which will be a specific dollar payment.

(2) Notwithstanding paragraph (1), if the member had left his or her contributions on deposit with the government entity for which full-time service is being purchased until after the later of the member's date of hire by the City or the Presentation Date, the buy back purchase price will be the amount of member contributions and interest on deposit in the member's account with that government entity. For the purpose of purchasing service credit, the City Employees' Retirement System may either receive (A) eligible rollover distributions, as defined in Section 401(a)(31) of the Internal Revenue

Code, (B) rollover contributions, as defined in section 408(d)(3) of the Internal Revenue Code or (C) direct cash contributions, the timing of which shall be governed by subsection (b)(1) herein. The Board of Administration shall prescribe such rules and forms as are necessary to determine when proposed contributions hereunder qualify as rollover contributions.

(f) Method of Purchase.

(1) The purchase of service under this section may occur on either a pretax or after-tax basis. In the case of purchase on an after-tax basis, the member may elect to make the payment in a lump sum or in biweekly installments through payroll deduction subject to any applicable Internal Revenue Code restriction.

(2) As an alternative to after-tax contributions, contributions may be paid on a pre-tax basis, by payroll deduction only, if the member so elects at the time the buy back agreement is entered into. Such election, once filed, shall be irrevocable. The rules of Chapter 15 of Division 4 of the Administrative Code shall be fully applicable to such contributions, so that the wages of affected employees shall be considered reduced by the amount of employer contributions made under this subsection (2).

(3) Should the member elect to purchase the buy back service credit through payroll deduction, annual interest at a rate determined by the Board and set at the commencement of the agreement shall be charged. The minimum biweekly payroll deduction shall be \$25.00.

(g) Execution of the Agreement.

A member entering into a buy back agreement shall complete all contributions prior to the effective date of retirement in order to receive agreed upon buy back credit. In the event the member elects to retire prior to completion of the buy back agreement, the member may receive prorated buy back credit for that portion of the service with other governmental entities or pre-1979 uncompensated maternity leave which have been purchased by contributions already made and forfeit the remainder of credit covered by the agreement; or, the member may make a lump sum payment sufficient to complete the total payment covered by the agreement. Additionally, a member who elects to terminate an after-tax agreement prior to its completion, or at the time of retirement, may elect to receive a cash refund of the buy back contributions and interest payable upon the earlier of death, termination of employment or retirement or prorated buy back credit.

(h) Plan Member's Death.

In the event of the death of a member who has entered into a buy back agreement, the surviving eligible beneficiary of the member may elect a refund of the buy back contributions and interest thereon, elect to apply the credit or a portion thereof to the calculation of the benefits for which the survivor qualifies without the addition of buy back service credit or elect to complete the terms of the agreement with a lump sum payment of the remaining amount owed.

(i) Benefit Adjustment.

For the purpose of Section 508(2) of Article XXXIV of the Charter and parallel provisions of this Chapter 10 of Division 4 of the Administrative Code, accumulated contributions attributable to contributions under this subsection shall not be taken into account for the purpose of determining whether the pension otherwise payable to a member should be increased because accumulated contributions are the actuarial equivalent of an annuity equal to more than 50% of the retirement allowance computed using the primary percentage rate (e.g., 2/3% in Section 508C(2) of Article XXXIV of the Charter or 1.08% in Section 4.1022 of this chapter.).

(j) Administration.

The administration of this section shall be under the exclusive management and control of the Board of Administration. Said Board shall have and is hereby granted full power and authority to adopt and enforce all such rules and regulations as it may deem necessary for the carrying out of the provisions of this ordinance. The Board of Administration shall have the right to construe this section, to interpret any provision thereof, to make rules and regulations relating to this section, and to determine any factual questions arising in connection with this section's operation after such investigation or hearing as the Board may deem appropriate. Any decision made by the Board under the provisions of this section shall be conclusive and binding on all parties concerned.

(k) El Pueblo Employees.

Notwithstanding the above, persons who were employed by El Pueblo de Los Angeles State Historic Monument between May 17, 1977 and June 30, 1995 and who became members of CERS on July 1, 1995, may purchase service credit for their employment with the El Pueblo between May 17, 1977 and June 30, 1995. Applications to purchase such credit must be filed within one year of the Effective

Date of this ordinance. The service credit purchased under this section for employment at El Pueblo shall be treated the same as service credit under CERS including vesting, disability retirement and minimum qualification for service retirement.

Sec. 3. Subsection (a) of Section 4.1061 of the Los Angeles Administrative Code is hereby amended by adding the following unnumbered paragraph to read as follows:

"For the purpose of applying the limitations of section 415(e) of the Internal Revenue Code, the portion of the CERS that constitutes a defined benefit plan shall be the portion subject to reduction in the event that section 415(e) requires reduction of benefit or contributions."

Sec. 4. Division 4 of the Los Angeles Administrative Code is hereby amended by adding Section 4.1064 to Chapter 10 thereof, to read as follows:

Sec. 4.1064. Direct Rollovers.

(a) This section applies to distributions made on or after January 1, 1993. Notwithstanding any provision of the City Employees' Retirement System to the contrary that would otherwise limit a distributee's election under this part, a distributee may elect, at the time and in the manner prescribed by the Board of Administration, to have any portion of an eligible rollover distribution that is equal to at least \$200 paid directly to an eligible retirement plan specified by the distributee in a direct rollover.

(b) Definitions.

"Eligible rollover distribution": An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments made for the life of the distributee or the joint lives of the distributee and the distributee's designated beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under section 401(a)(9) of the Internal Revenue Code; and the portion of any distribution that is not includable in gross income; and any other distribution(s) that is reasonably expected to total less than \$200 during a year.

"Eligible retirement plan": An eligible retirement plan is an individual retirement account described in section 408(a) of the Code, an individual retirement annuity described in section 408(b) of the Code, an annuity plan described in section 403(a) of the Code, or a qualified plan described in section 401(a) of the Code, that accepts the distributee's eligible rollover distribution. However, in the case of an eligible rollover distribution to the surviving spouse, an eligible retirement plan is an individual retirement account or individual retirement annuity.

"Distributee": A distributee includes an employee or former employee. In addition, the employee's or former employee's surviving spouse and the employee's or former employee's spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in section 414(p) of the Code, are distributees with regard to the interest of the spouse or former spouse.

"Direct Rollover": A direct rollover is a payment by the plan to the eligible retirement plan specified by the distributee.

Sec. 5. Division 4 of the Los Angeles Administrative Code is hereby amended by adding Section 4.1800 to Chapter 18 thereof, to read as follows:

There is hereby created, established and adopted separate and apart from the City Employees' Retirement System a plan entitled the Excess Benefit plan to supplement the benefits of certain employees under the City Employees' Retirement System as defined in Article XXXIV of the Charter of the City of Los Angeles to the extent such benefits are reduced by the limitations on benefits imposed by Section 415 of the Internal Revenue Code of 1986 as amended.

(a) Definitions.

For the purpose of this ordinance, the following words and phrases shall have the meaning ascribed to them in this ordinance unless a different meaning is clearly indicated by the context:

"Board" or "Board of Administration" shall mean the Board of Administration as defined in Section 503 of Article XXXIV of the Charter of the City of Los Angeles.

"CERS" shall mean the City Employees' Retirement System as defined under Section 500 of Article XXXIV of the Charter of the City of Los Angeles.

"City" shall mean the City of Los Angeles.

"Code" shall mean the Internal Revenue Code of 1986 as amended.

"Participant" shall mean those employees eligible for participation in the Plan. As used herein, the term "employee" shall mean every person in the employ or service of the City as reflected on the payroll records of the City.

"Plan" shall mean the Excess Benefit Plan set forth herein, as amended from time to time.

(b) Eligibility.

Those employees who are members of the CERS and whose benefits at the time of payment are reduced by the limitation on benefits imposed by Section 415 of the Code shall be Participants hereunder.

(c) Benefits.

The benefits which each Participant shall be entitled to receive under this Plan shall be the difference between the actual benefits of such Participant under the CERS and the benefits that would have been payable under the CERS except for the limitations on benefits imposed by Section 415 of the Code. The benefits payable under this Plan shall be payable to the Participant or to any other person who is receiving or entitled to receive benefits with respect to the Participant under the CERS, and shall be paid in the same form, at the same times and for the same period as benefits are paid with respect to the Participant under the CERS. Notwithstanding the foregoing, the Board in its discretion may elect to pay a benefit under this Plan in a lump sum in the event that the actuarial equivalent present value of the benefit at the commencement of payment is \$5,000 or less.

The Board and the City shall make appropriate arrangements to deduct from all amounts paid under the Plan any taxes required to be withheld with respect to the Plan by any government or governmental agency.

Except as otherwise provided in the Plan, no right or benefit under the Plan shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance or charge, and any attempt to anticipate, alienate, sell, assign, pledge, encumber or charge such right or benefit shall be void. No such right or benefit shall in any manner be liable for or subject to the debts, liabilities or torts of a Participant or other benefit recipient. In addition, no right of a Participant or other benefit recipient under the Plan is transferable by inter vivos gift or testamentary disposition.

(d) Administration.

The Plan shall be under the exclusive management and control of the Board of Administration. The Board shall have and is hereby granted full power and authority to adopt and enforce all such rules and regulations as it may deem necessary for the carrying out of the provisions of this ordinance. The Board of Administration shall have the right to construe the Plan, to interpret any provision thereof, to make rules and regulations relating to the Plan, and to determine any factual questions arising in connection with the Plan's operation after such investigation or hearing as the Board may deem appropriate. Any decision made by the Board under the provisions of this ordinance shall be conclusive and binding on all parties concerned.

(e) Funding.

The Plan shall be unfunded, and benefits under the Plan shall be paid from the General Fund of the City of Los Angeles through an Excess Benefit Plan Fund hereby established for payment of administration expense and benefit payments, subject to the claims of the City's general creditors. No person other than the City shall by virtue of the provisions of the Plan have any interest in such amounts. Title to and beneficial ownership of any assets, whether cash or other investments which the City may earmark to pay any amount under the Plan, shall at all times remain in City, and Participants and any other persons entitled to benefits hereunder shall not have any property interest whatsoever in any specific assets of the City. The obligation of the City to make payments pursuant to the Plan is contractual only. No Participant or other person entitled to benefits hereunder shall have a preferred claim or lien on any assets of the City.

(f) Budget.

The Board of Administration shall annually prepare and transmit to the Mayor and Controller a budget setting forth the estimated cost of maintaining the Plan, which budget shall include therein:

1. A sum equal to 125% of the projected benefit payments to be made in the budget year, offset by any residual sum budgeted in a previous year and not expended for a previous year's benefit payments.
2. A sum estimated to provide for administrative costs of the Plan.

(g) Amendment or Termination of Plan.

The Council of the City of Los Angeles shall have the right to amend the Plan with the exception of this section, or terminate the Plan at any time. If the Plan is terminated, the actuarial equivalent present value of any remaining benefits payable

to a Participant or other person, increased by an amount determined by the Board to permit approximately the same after-tax payout over time to Participants as would have been realized in the absence of such termination, shall be paid in a lump sum 30 days after the termination of the Plan.

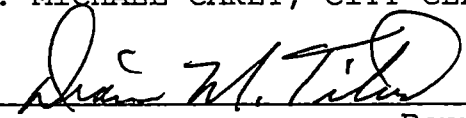
(h) Compliance with the Internal Revenue Code.

It is the intention that this Plan be a "qualified governmental excess benefit arrangement" within the meaning of Section 415(m) of the Code, and may at any time be amended to comply with the Code requirements to maintain such qualification and status. This Plan shall be deemed a "portion" of CERS solely to the extent required under, and within the meaning of, Section 415(m) of the Code, and not for any other purpose.

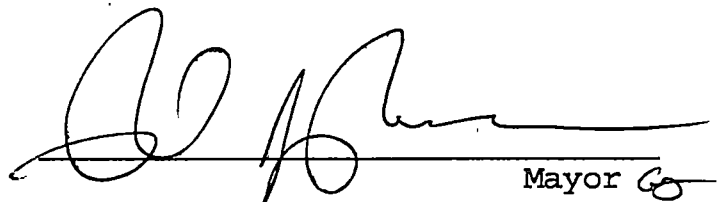
Sec. 6. The City Clerk shall certify to the passage of this ordinance and cause the same to be published in some daily newspaper printed and published in the City of Los Angeles.

I hereby certify that the foregoing ordinance was introduced at the meeting of the Council of the City of Los Angeles, by a vote of ~~not less than two-thirds~~ of all of its members, at the meeting of DEC 20 1996 and was passed at its meeting of JAN 22 1997.

J. MICHAEL CAREY, CITY CLERK

BY 
Deputy

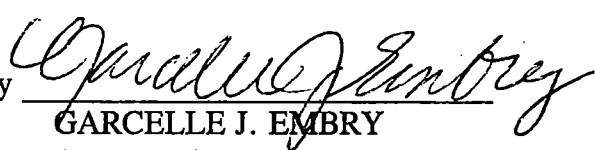
Approved JAN 23 1997


Mayor


Approved as to Form and Legality

JAMES K. HAHN, City Attorney

By


GARCELLE J. EMBRY
Deputy City Attorney

By


JOHN C. BLAIR
Deputy City Attorney

File No. 96-1422

ORDINANCE NO. 171488

An ordinance amending Division 4 of the Los Angeles Administrative Code by adding section 4.1850 to Chapter 18 thereto, so as to provide for the administration of an additional benefit plan by the City Employees' Retirement System.

THE PEOPLE OF THE CITY OF LOS ANGELES
DO ORDAIN AS FOLLOWS:

Section 1. Division 4 of the Los Angeles Administrative Code is hereby amended by adding Section 4.1850 to Chapter 18 thereof, to read as follows:

There is hereby created, established, and adopted a fund to be known as the "Limited Term Retirement Fund" for payment of administration expenses and benefits of the Plan. The Fund shall consist of all money paid into said Fund in accordance with the provisions of this Plan, and earnings from investments held in the Fund. The Fund shall be a trust fund, and its assets shall be held for the exclusive purposes of providing benefits to Participants and their Beneficiaries, and defraying reasonable expenses of administering the Plan, to the extent not reimbursed by the City.

The purpose of this Plan is to provide a portable retirement benefit for elected officials of the City of Los Angeles (the "City") whose terms are limited by the Charter of the City of Los Angeles (the "Charter"). Contributions made by the City to the Plan will be comparable to those made for members of the City Employees' Retirements System ("CERS"). It is intended that this Plan shall be a qualified plan under Section 401(a) of the Internal Revenue Code. This Plan is effective as of July 1, 1997.

(a) Definitions.

For the purpose of this ordinance, the following words and phrases shall have the meaning ascribed to them in this ordinance unless a different meaning is clearly indicated by the context:

"Average Member Cost" shall mean a percentage, in effect for such Plan Year, equal to the sum of: (1) The percentage of City contributions needed to fund the CERS for all benefits provided by the CERS; and (2) Any ancillary costs incurred by the City in support of benefits provided by the CERS expressed as a percentage of covered payroll.

"Beneficiary" shall mean any person or legal entity designated in accordance with Subsection (h) hereof.

"Board" or "Board of Administration" shall mean the Board of Administration as defined in Section 503 of Article XXXIV of the Charter of the City of Los Angeles.

"**CERS**" shall mean the City Employees' Retirement System as defined under Section 500 of Article XXXIV of the Charter of the City of Los Angeles.

"**City**" shall mean the City of Los Angeles.

"**Code**" shall mean the Internal Revenue Code of 1986 as amended.

"**Compensation**" shall mean the gross salary of a Participant, not including bonuses, other benefits or overtime. The annual compensation of each Participant taken into account for determining all benefits provided under this Plan for any Plan Year shall not exceed \$150,000 determined in accordance with Section 401(a)(17) of the Code and the regulations thereunder and as adjusted for increases in the cost-of-living in accordance with Section 401(a)(17)(B) of the Code. The cost-of-living adjustment in effect for a calendar year applies to the Plan Year beginning in such calendar year. If a Participant is an active member for less than a Plan Year then the compensation limit is an amount equal to the otherwise applicable annual compensation limit multiplied by a fraction, the numerator of which is the number of full months in which the Participant was an active member and the denominator of which is 12.

"**Effective Date**" shall mean July 1, 1997.

"**Fund**" shall mean the Limited Term Retirement Fund.

"**Participant**" shall mean those employees eligible for participation in this Plan. Those employees eligible to participate in this Plan are those employees who are elected officials of the City and who are eligible to, and effectively, elect to opt out of the CERS under section 502(B)(9) of Article XXXIV of the Charter of the City of Los Angeles. An employee shall cease to be a Participant as to additional contributions upon termination of employment with the City or entrance into a different retirement plan provided by the City. As used herein, the term "employee" shall mean a person in the employ or service of the City as reflected on the payroll records of the City.

"**Plan**" shall mean the Limited Term Retirement Plan set forth herein, as amended from time to time.

"**Plan Year**" shall mean a 12 month consecutive period commencing with July 1 of each year and ending with June 30 of the following year. The Plan Year shall be the "limitation year" for purposes of Section 415 of the Code.

"**Valuation Date**" shall mean the last day of each Plan Year. In addition, the Board may fix, in a uniform and nondiscriminatory manner, one or more interim or recurring Valuation Dates.

(b) Administration.

The Plan shall be under the exclusive management and control of the Board of Administration. The Board shall have and is hereby granted full power and authority to adopt and enforce all such rules and regulations as it may deem necessary for the carrying out of the provisions of this ordinance, and shall discharge its duties in accordance with

Article XVI, Section 17 of the Constitution of the State of California. The Board of Administration shall have the right to construe the Plan, to interpret any provision thereof, to make rules and regulations relating to the Plan, and to determine any factual questions arising in connection with the Plan's operation after such investigation or hearing as the Board may deem appropriate. Any decision made by the Board under the provisions of this ordinance shall be conclusive and binding on all parties concerned. For each fiscal year, the Board shall prepare and submit to the City Council a budget for the cost of administration of the Plan for that year. In the event that the City Council fails to pay such costs, such costs shall be paid from the Fund and allocated to Participants' accounts as an expense.

The Board shall manage and administer the Fund and shall invest the assets of said Fund. Each Participant shall direct the investments allocated to his or her account according to investment options and procedures determined by the Board.

(c) Participant Contributions.

Each Participant shall contribute six percent (6%) of his or her Compensation to the Fund by salary deduction. Such contributions shall be treated as employer contributions for purposes of taxation in accordance with Section 414(h)(2) of the Code and shall be paid from the same source of funds as is used in paying Compensation. For all other purposes, such contributions shall be treated as employee after-tax contributions. The wages of Participants shall be reduced by the amount of Participant contributions. Nothing herein shall be construed to permit or extend an option to Participants to directly receive Participant contributions instead of having them contributed to the Fund.

It shall be impossible for any part of the contributions or earnings made under this Plan and held in the Fund to be used for, or diverted to, purposes other than the exclusive benefit of Participants or their Beneficiaries. Notwithstanding the foregoing, the City shall be entitled to recover contributions made to the Plan by mistake of fact within one year after payment.

(d) Matching Contributions by the City.

For each Plan Year, the City shall contribute for each Participant the Average Member Cost of the Participant's Compensation to the Fund; and

City contributions shall be paid into the Fund and credited to the Participant's individual account at intervals and in accordance with procedures to be determined by the Board. Notwithstanding the foregoing, the balance of any contribution owed for a Plan Year shall be paid within two and one-half months after the end of such Plan Year and credited to Participants' accounts as of the last day of such Plan Year.

(e) Accounts.

The Board shall maintain an individual account of the contributions made by or for each Participant. Investment gains or losses, and expenses, shall be allocated to each respective account as of each Valuation Date.

Except as otherwise provided in the Plan, no right or benefit under the Plan shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance or charge, and any attempt to anticipate, alienate, sell, assign, pledge, encumber or charge such right or benefit shall be void. No such right or benefit shall in any manner be liable for or subject to the debts, liabilities or torts of a Participant. In addition, no right of a Participant under the Plan is transferable by inter vivos gift or testamentary disposition.

(f) Vesting.

Each Participant's interest in his or her account shall be 100% vested and nonforfeitable. Notwithstanding the foregoing, if the Board, acting upon information available to it, cannot locate a person entitled to receive a benefit under the Plan within a reasonable period of time as determined by the Board in its sole discretion after the benefit becomes payable and such person has not contacted the Board concerning the distribution by the end of such period, the amount of the benefit shall be treated as a forfeiture and shall be applied first to the payment of costs of administering the Plan, and second as a source of the matching contributions hereunder. If, prior to the date final distributions are made following termination of the Plan, a person who was entitled to a benefit which has been forfeited pursuant to this Section makes a claim to the Board for such benefit, such person shall be entitled to receive the amount of such benefit as soon as administratively feasible after such claim is received. The amount of the previously forfeited benefit shall be reinstated by the City.

(g) Benefit Payments.

Each Participant is entitled to receive a lump sum payment of his or her account balance upon termination of employment with the City or entrance into a different retirement plan provided by the City. Such payment shall be based upon the account balance as of the immediately preceding Valuation Date, and shall be made within sixty (60) days of entitlement. In no event shall a benefit be paid both from this Plan and from CERS, with respect to the same period of service by a Participant.

1. A distributee may elect, at the time and in the manner prescribed by the Board of Administration, to have any portion of a distribution that is equal to at least \$200 paid directly to an eligible retirement plan specified by the distributee in a direct rollover.

2. For purposes of subsection (1):

(i) Eligible retirement plan means an individual retirement account described in section 408(a) of the Code, an individual retirement annuity described in section 408(b) of the Code, an annuity plan described in section 403(a) of the Code, or a qualified plan described in section 401(a) of the Code, that accepts the distributee's rollover distribution. However, in the case of a distributee's rollover distribution to the surviving spouse, an eligible retirement plan is an individual retirement account or individual retirement annuity;

(ii) Distributee includes an employee or former employee. In addition, the employee's or former employee's surviving spouse and the employee's or former employee's spouse or former spouse who is the alternate payee under an order described in subsection (i) herein, are distributees with regard to the interest of the spouse or former spouse; and

(iii) A direct rollover is a payment by the Plan to the eligible retirement plan specified by the distributee.

(h) Provision for Death Benefit.

A Participant may designate a Beneficiary to receive a distribution of the Participant's account balance in the event of the death of the Participant prior to receipt by the Participant of the refund of his or her account balance. The Beneficiary may be either a person or a legal entity. If the designated Beneficiary is a minor, the account balance may be paid to the parent of the minor on behalf of the minor, or, if no parent, to the designated payee of such minor as approved by the Board. Said designation may be made by filing a written designation duly executed and filed with the Board. If there is no Beneficiary, the disbursement will be in the same order as the disbursement procedure detailed in Section 511 of Article XXXIV of the Charter of the City of Los Angeles.

(i) Provision for Distribution Upon Dissolution of Marriage.

Upon proper service with a court order, the Plan will comply with community property division requirements and distribute to the non-Participant spouse in a lump sum the required amounts regardless of whether the Participant is still an active member of the Plan.

(j) Compliance with Internal Revenue Code.

It is the intention that this Plan be a qualified plan within the meaning of Section 401(a) of the Code and a profit sharing plan within the meaning of Section 401(a)(27) of the Code, and may at any time be amended to comply with the Code requirements to maintain such qualification and status. Contributions shall not be dependent on the existence of profits.

Notwithstanding any provision herein to the contrary:

1. Participant and matching contributions to a Participant's account shall not exceed the lesser of \$30,000 or greater amount under Section 415(d)(1)(C) of the Code for the plan year or 25% of the Participant's "compensation" as defined in Treasury Regulation Section 1.415-2(d)(10) from the City during the Plan Year.

2. In any case where a Participant is also a participant under a defined benefit plan maintained by the City, the sum of the defined benefit plan fraction and the defined contribution plan fraction, as defined in Section 415(e) of the Code shall not exceed 1.0. Reduction of contributions to or benefits from all plans, where required, shall be accomplished by first reducing the contributions in this Plan.

3. This shall be applied in all respects in accordance with Section 415 of the Code and the regulations thereunder.

(k) Rollovers.

The Plan will accept rollover transfers from other qualified plans at the election of the Participant.

(l) Plan Termination and Amendment.

This Plan may be terminated or amended at any time by the Council. Upon termination, account balances shall be distributed to Participants in accordance with subsection (g) herein, unless the Board in its discretion or as directed by applicable law transfers the assets and benefit liabilities of this Plan to another qualified plan maintained for employees of the City. The Plan may be amended at any time to reduce or eliminate the City contribution on behalf of current and future Participants. However, no amendment shall reduce the vested interest of a Participant who has an account balance as of the date such amendment becomes effective.

Sec. 2. The City Clerk shall certify to the passage of this ordinance and cause the same to be published in some daily newspaper printed and published in the City of Los Angeles.

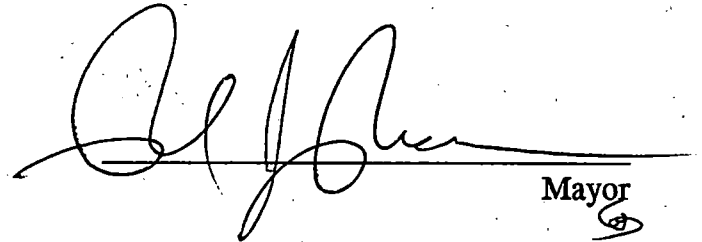
I hereby certify that the foregoing ordinance was introduced at the meeting of the Council of the City of Los Angeles, by a vote of **not less than two-thirds** of all of its members, at the meeting of DEC 20 1996 and was passed at its meeting of JAN 22 1997.

J. MICHAEL CAREY, CITY CLERK

BY 

Deputy

Approved JAN 23 1997


Mayor

Approved as to Form and Legality

JAMES K. HAHN, City Attorney

By 

GARCELLE J. EMBRY
Deputy City Attorney

By 

JOHN C. BLAIR
Deputy City Attorney

File No. 96-1422

40
LA DAILY JOURNAL - PUBLISH SAME AS 10/1/96 HEARING (SAME CF)

CITY OF LOS ANGELES
NOTICE OF PUBLIC HEARING

On January 21, 1997, at its regularly-scheduled Council session, the Los Angeles City Council will hold a public hearing at 10:00 a.m. or as soon thereafter as the matter can be heard, in Council Chambers Room 340, City Hall, relative to two Ordinances amending Division 4 of the Los Angeles Administrative Code by adding various sections to Chapter 10 and adding a new Chapter 18 so as to provide for changes in benefits provided by the City Employees' Retirement System (CERS) to implement the portability of benefits for employees of the City and administration of an additional benefit plan.

Fiscal Impact Statement: The City Administrative Officer reports there will be no cost this year or in 1997-98. The actuary of the CERS has estimated the cost of the portability provisions to be \$7.9 million annually. Of this amount, approximately \$4.9 million is attributable to the General Fund. The remainder is attributable to special funds. Costs will begin in 1998-99 and are expected to be more than offset by reductions in City contributions due to better than anticipated investment returns. These savings will be approximately \$20 million (\$12.6 million to the General Fund) starting in 1997-98.

Persons who are unable to appear at the public hearing on this matter may review the Council File (96-1422) in the Office of the City Clerk, Room 395, City Hall. Written comments may also be submitted to the City Clerk prior to the hearing. All correspondence must reference the Council File No. 96-1422.

Council meets at 10:00 a.m.
Address: 200 North Spring Street
Council Chambers (Room 340, City Hall)

J. MICHAEL CAREY
City Clerk

C.F. No. 96-1422
By: John C. Burmahln, Deputy City Clerk

12-17-96

calagend\961422.hrg

34

ITEM NO. ()

96-1422 - HEARING and ORDINANCES SECOND CONSIDERATION to consider the proposed changes in benefits paid by the City Employees' Retirement System 30 days after the implementing ordinances were presented to Council, pursuant to Section 512.2 of the Charter.

A. ORDINANCE amending Division 4 of the Los Angeles Administrative Code (LAAC) by adding and amending various sections to Chapter 10 and adding Chapter 18 thereto, so as to provide portability by making the City Employees' Retirement System reciprocal with the California State Public Employees Retirement System (PERS), allowing employees in systems not reciprocal with State PERS to transfer their contributions and credit to the City (teachers; etc.), for systems where employees did not contribute to their pension system it allows them to pay in an amount equal to what they now pay for City credit (military; etc.), and the creation of an excess benefit plan, said provisions to be effective upon publication of the Ordinance.

B. ORDINANCE amending Division 4 of the LAAC by adding Section 4.1850 to Chapter 18 to establish a Limited Term Retirement Plan and Fund for term limited elected officials of the City of Los Angeles to be effective July 1, 1997.

10 VOTES REQUIRED

[Pursuant to Council's adoption of City Administrative Officer Communication and Agreements on December 20, 1996]

40

COMMUNICATION FROM CITY ADMINISTRATIVE OFFICER *and ORDS*
(~~10 Votes Required for Consideration~~ - Motion Required)

ITEM NO. ()

96-1422 - CITY ADMINISTRATIVE OFFICER REPORT and ORDINANCES relative to changes in the benefits provided by the City Employees' Retirement System (CERS).

Recommendations for Council action, as recommended by the City Administrative Officer (CAO):

1. APPROVE the Letter of Agreement between the City and affected bargaining representatives (Attachment "III" to the December 16, 1996, CAO report) implementing CERS Portability and Pension Protection benefits.
2. APPROVE the Reciprocity Agreement with the California Public Employees' Retirement System on behalf of the City Employees' Retirement System.
3. PRESENT and ADOPT accompanying ORDINANCES amending Division 4 of the Los Angeles Administrative Code by adding various new sections to Chapter 10 and adding Chapter 18 thereto, so as to provide for changes in benefits provided by the City Employees' Retirement System to implement the portability of benefits for employees of the City and administration of an additional benefit plan.

[Ordinance to be considered again on second presentation at a public hearing scheduled before Council on January 21, 1997, as required by Charter Section 512.2]

4. HOLD a public hearing before the full City Council to consider the proposed changes in benefits paid by the CERS 30 days after the implementing ordinance is presented to Council, pursuant to Section 512.2 of the Charter.


Fiscal Impact Statement: The CAO reports there will be no cost this year or in 1997-98. The actuary of the CERS has estimated the cost of the portability provisions to be \$7.9 million annually. Of this amount, approximately \$4.9 million is attributable to the General Fund. The remainder is attributable to special funds. Costs will begin in 1998-99 and are expected to be more than offset by reductions in City contributions due to better than anticipated investment returns. These savings will be approximately \$20 million (\$12.6 million to the General Fund) starting in 1997-98.

[Pursuant to Council adoption of Budget & Finance Committee report August 30, 1996]

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Date: December 16, 1996

To: The City Council

From: Keith Comrie, City Administrative Officer 

Subject: **REMAINING CHANGES TO THE CITY EMPLOYEES' RETIREMENT SYSTEM (CERS)**

On July 19, 1996, the City Council, in view of a \$55 million annual savings in City contributions to CERS directed that system improvements estimated at \$14 million be bargained with our unions (see Attachment I).

Part of the implementing ordinances were approved on October 1, 1996. Attached are the final ordinances in the package. They cover the pension portability segment of the changes. There will be no cost to the City this year or next. In 1998-99, the General Fund cost will be approximately \$4.9 million. Offsetting this cost will be General Fund savings starting in 1997-98 of approximately \$12.6 million.

Portability is already available in most California cities and counties through reciprocity agreements with the California State Public Employees Retirement System (PERS). These agreements allow all such state, city and county service to be counted for a person's pension. Such agreements do not cover some other governmental service such as a few non-reciprocal cities, military service and the State Teachers Retirement System (STRS).

The attached contract and ordinances from the City Attorney (Attachment II) provide portability by making our system reciprocal with State PERS, allowing employees in systems not reciprocal with PERS to transfer their contributions and credit to the City (teachers; etc.), for systems where employees did not contribute to their pension system it allows them to pay in an amount equal to what they now pay for City credit (military; etc.), and for term limited employees a portable savings plan is set up where the employee and City put the same amount of money they would put into the retirement plan.

Employee representatives have reviewed and agreed to the retirement changes that affect their members. This agreement is included as Attachment III.

RECOMMENDATIONS

That the Council:

1. Approve the agreement between the City and the civilian bargaining unit representatives; and
2. In accordance with Charter provisions present the attached ordinances for 30 days; and
3. After the 30 day period, schedule a public hearing and approve the ordinances.

Fiscal Impact Statement

There will be no cost this year or in 1997-98. The actuary for the City Employees Retirement System has estimated the cost of the portability provisions to be \$7.9 million annually. Of this amount, approximately \$4.9 million is attributable to the General Fund. The remainder is attributable to special funds. Costs will begin in 1998-99 and are expected to be more than offset by reductions in City contributions due to better than anticipated investment returns. These savings will be approximately \$20 million (\$12.6 million to the General Fund) starting in 1997-98.

KC:ss

Attachments

ERD01125

^{CAO}
MOTION ADOPTED TO APPROVE COMMUNICATION RECOMMENDATION

ADOPTED

DEC 20 1996

LOS ANGELES CITY COUNCIL

ORDINANCE NO. _____

An ordinance amending Division 4 of the Los Angeles Administrative Code by adding and amending various sections to Chapter 10 and by adding Chapter 18 thereto, so as to provide for changes in benefits provided by the City Employees' Retirement System.

**THE PEOPLE OF THE CITY OF LOS ANGELES
DO ORDAIN AS FOLLOWS:**

Section 1. Division 4 of the Los Angeles Administrative Code is hereby amended by amending Section 4.1052.1 to Chapter 10 thereof, to read as follows:

Sec. 4.1052.1. Buy Back of Full-time Service With Other Governmental Entities, Including Military Service; Buy Back of Periods of Uncompensated Leave from City Service.

(a) Definitions.

For the purpose of this section, the following words and phrases shall have the meaning ascribed to them in this subsection unless a different meaning is clearly indicated by the context:

"Governmental Entity" shall mean the United States Government including its territories; any agency of the United States Government and any branch of the United States military service; any State or political subdivision thereof; any local government or special district within any State in the United States; and shall exclude non-governmental agencies supported by government contracts or grants.

"Full-time Service" shall mean a minimum of six months of uninterrupted service with an eligible governmental entity, excluding part-time service and service for which the member is currently eligible or will become eligible to receive a pension.

"Leave of Absence" shall mean an approved uncompensated leave of absence from city service, excluding any period of absence due to disciplinary suspension.

"Buy Back" shall mean purchase by a member of retirement credit for periods of eligible service with other governmental entities or purchase by a member of retirement credit for eligible leaves of absence from city service.

"Government Service Credit Program" shall mean the method for the buy back of retirement credit set forth in section 4.1052.2.

(b) Eligibility.

Every person who is a member on the effective date of this section or who shall become a member subsequent thereto shall be eligible to buy back credit for periods of full-time service with other governmental entities and to buy back credit for periods of uncompensated leave of absence from city service.

(c) Application of Buy Back Credit.

A member electing to buy back eligible periods of full-time previous service with other governmental entities or periods of leave of absence from city service may apply buy back credit to increase service retirement benefit credit. Buy back credit shall not be used to meet minimum qualification for service retirement, disability retirement or vested retirement or to qualify for the Family Death Benefit Insurance Plan; or to qualify for or increase health and dental insurance premium subsidies.

(d) Effect of Benefit Increases.

Effective with respect to members on the active payroll on or after the effective date of this section, if retirement benefits should be increased by City Council action pursuant to Section 512.2 of the City Charter, such increased benefits shall be applicable to service credits purchased pursuant to this section.

(e) Minimum Periods of Purchase.

A member electing to buy back credit for previous service with other governmental entities or for periods of uncompensated leave of absence, shall file with the Board of Administration a written application identifying the time periods and agencies for which credit is to be purchased, and shall submit proof acceptable to the Board of Administration establishing the fact of such other service with another governmental entity or leaves of absence. Buy back credit for one or more periods of full-time service with another governmental entity prior to entrance or re-entrance into the City Employees' Retirement System may be purchased, except, however, such purchase shall be limited to not less than six months of uninterrupted service from a single entity. A member may buy back credit for one or more periods of uncompensated leave, except, however, a minimum of six months of leave in the aggregate shall be purchased. Total buy back credit purchased shall not exceed the member's actual city service at the time the buy back is concluded.

(f) Agreement with the City Employees' Retirement System - Buy Back Methods.

A member electing to buy back credit described herein shall enter into a written agreement with the City Employees' Retirement System. Such agreement shall provide that the member contribute an amount equal to the present value of the liability incurred by the System in crediting the service based upon actuarial assumptions in effect at the time the agreement is entered into or amended and the projected retirement date contained in the agreement. Such agreement shall identify the method of payment of the additional contributions required to fund the purchased credit, which may be a specific dollar payment or percent of salary obligation. If a member elects to make the required contribution by a specific dollar payment, the payment may be made in a lump sum or in biweekly installments through payroll deduction over a period not to exceed five years. If the member elects to enter into a percent of salary obligation, the member shall agree to make the contributions as a percent of salary through payroll deduction over a period extending from the date of the agreement with the City Employees' Retirement System to a projected retirement date included in the agreement. Contributions made through payroll deduction may be paid on a pre-tax basis if the member so elects at the time the buy back agreement is entered into. Such election, once filed, shall be irrevocable. The rules of Chapter 15 of Division 4 of the Administrative Code shall be fully applicable to such contributions, so that the wages of affected employees shall be considered reduced by the amount of employer contributions made under this subsection.

(g) Execution of the Agreement.

A member entering into a buy back agreement shall complete all contributions prior to the effective date of retirement in order to receive agreed upon buy back credit. In the event the member elects to retire at an earlier age than specified in the agreement, the member may receive prorated buy back credit for that portion of the service with other governmental entities or periods of uncompensated leaves of absence which have been purchased by contributions already made and forfeit the remainder of credit covered by the agreement; or, the member may make a lump sum payment sufficient to complete the total payment covered by the agreement. In the event the member elects to retire at a later date than the age specified in the agreement, contributions shall cease at the age specified and no further adjustments shall be made in buy back credit or the cost of such credit. A member who elects to terminate the agreement prior to its completion, or at the time of retirement, shall forfeit buy back credit and receive a cash refund of the buy back contributions and interest thereon. An active member who has entered into an agreement or completed an agreement under this program prior to the effective date of the Government Service Buy Back Program and who would otherwise qualify to participate in that Program,

may elect to rescind such agreement and have their contributions to date apply to the Government Service Buy Back Program. The excess, if any, of the member's contributions paid under this section over the total contributions required from the member under the Government Service Buy Back Program with respect to the same service shall be refunded, with interest, upon the earlier of death, termination of employment or retirement.

(h) Plan Member's Death.

In the event of the death of a member who has entered into a buy back agreement, the surviving eligible beneficiary of the member may elect a refund of the buy back contributions and interest thereon, or elect to apply the credit or a portion thereof to the calculation of the benefits for which the survivor qualifies without the addition of buy back service credit or elect to complete the terms of the agreement with a lump sum payment of the remaining amount owed.

(i) Administration.

The administration of this section shall be under the exclusive management and control of the Board of Administration. Said Board shall have and is hereby granted full power and authority to adopt and enforce all such rules and regulations as it may deem necessary for the carrying out of the provisions of this ordinance. The Board of Administration shall have the right to construe this section, to interpret any provision thereof, to make rules and regulations relating to this section, and to determine any factual questions arising in connection with this section's operation after such investigation or hearing as the Board may deem appropriate. Any decision made by the Board under the provisions of this section shall be conclusive and binding on all parties concerned.

(j) Subsection (j) is hereby repealed.

Sec. 2. Division 4 of the Los Angeles Administrative Code is hereby amended by adding Section 4.1052.2 to Chapter 10 thereof, to read as follows:

Sec. 4.1052.2. Buy Back of Full-time Service With Other Governmental Entities, Including Military Service; Buy Back of Periods of Uncompensated Maternity Leave.

(a) Definitions.

For the purpose of this section, the following words and phrases shall have the meaning ascribed to them in this subsection unless a different meaning is clearly indicated by the context:

"Buy Back" shall mean purchase by a member of retirement credit for periods of eligible service with other governmental entities or purchase by a member of retirement credit for pre-1979 uncompensated maternity leave.

"Effective Date" shall mean the effective date of the ordinance adopting this section.

"Full-time Service" shall mean a minimum of six months of uninterrupted service with an eligible governmental entity, excluding part-time service.

"Governmental Entity" shall mean the United States Government including its territories, any agency of the United States Government, the United States Postal Service and any branch of the United States military service; any State or political subdivision thereof; any local government or special district within any State in the United States; and shall exclude non-governmental agencies supported by government contracts or grants and any prior service with the City of Los Angeles.

"Pre-1979 Uncompensated Maternity Leave" shall mean a leave of absence from City Service taken for maternity reasons without pay prior to April 29, 1979 due to the City policy not allowing usage of paid time for pregnancy leave purposes, not to exceed the total of accrued paid sick and vacation hours that were available to the member at the time of commencement of such leave and not to exceed six months with respect to any one pregnancy.

"Presentation Date" shall mean the date that the ordinance adopting this section was first presented to the Council in any form.

"Prior Plan" shall mean a retirement plan of a governmental entity in which the member was a participant during full-time service.

(b) Eligibility.

Every person who is a member on the effective date of this section or who shall become a member subsequent thereto shall be eligible to buy back credit for periods of full-time service with other governmental entities and to buy back credit for periods of Pre-1979 Uncompensated Maternity Leave. Notwithstanding the foregoing:

(1) Members may not buy back credit for periods of service for which they are currently eligible or will become eligible to receive a retirement benefit from a Prior Plan. For purposes of the previous sentence,

a member shall be treated as eligible for such benefit from a Prior Plan even if the member will not receive such benefit solely due to the member's withdrawal of member contributions and interest from the Prior Plan, unless such withdrawal occurred prior to the later of the member's date of hire by the City or the Presentation Date or unless the member deposits the amount of such withdrawal as the buy back purchase price, in accordance with subsection (f)(2) hereof, within 90 days of such withdrawal. In addition, a member shall be treated as eligible for such benefit from a prior plan if the member received at any time a distribution from the prior plan in excess of member contributions and interest with respect to such period of service. The Board may extend such 90 day period if required for compliance with Section 415 of the Internal Revenue Code. In the event that prior to the attainment of the minimum age and service for a service retirement under CERS, the member becomes eligible to receive currently or in the future a retirement benefit from the prior plan with respect to such period of service, the corresponding buy back credit shall be canceled and the member shall receive a refund of the payments made under subsection (f) with respect to such buy back credit, with interest, payable upon the earlier of death, termination of employment, or retirement from City Service.

(2) Members are not allowed to buy back credit for periods of service from a governmental entity which provides reciprocal benefits with CERS and for which that member would be entitled to those reciprocal benefits. For purposes of the previous sentence, a member shall be treated as entitled to reciprocal benefits even if the member will not receive such benefits solely due to the member's withdrawal of member contributions and interest from the Prior Plan, unless such withdrawal occurred prior to the later of the member's date of hire by the City or the Presentation Date.

(3) Only a member performing "City Service" as defined in Section 501 of Article XXXIV of the Charter shall be eligible to execute a buy back agreement.

(4) For purposes of this section, the date of a withdrawal shall be deemed to be the date of receipt of the proceeds of the withdrawal by the member or other designated recipient.

(c) Application of Buy Back Credit.

The service credit purchased under this section shall be treated the same as service credit under CERS except that it shall not be taken into account for

establishing the minimum five year service requirement for service retirement, disability retirement or vested retirement.

(d) Minimum Periods of Purchase.

A member electing to buy back credit for previous service with other governmental entities or for periods of Pre-1979 Uncompensated Maternity Leave, shall file with the Board of Administration a written application identifying the time periods and agencies for which credit is to be purchased, and shall submit proof acceptable to the Board of Administration establishing the fact of such other service with another governmental entity or such pre-1979 uncompensated maternity leave. An application to purchase buy back credit with respect to pre-1979 uncompensated maternity leave must be filed within one year of the effective date. Buy back credit for one or more periods of full-time service with another governmental entity prior to entrance or re-entrance into the City Employees' Retirement System may be purchased, except, however, such purchase shall be limited to not less than six months of uninterrupted service from a single entity. The six month minimum requirement does not apply to the Pre-1979 Uncompensated Maternity Leave.

(e) Agreement with the City Employees' Retirement System - Buy Back Methods.

A member electing to buy back credit described herein shall enter into a written agreement with the City Employees' Retirement System. Such agreement shall specify the amount to be paid for the purchase of this service credit.

(1) The amount to be paid pursuant to the buy back agreement shall equal (A) the member's contribution rate after any City defrayal, (B) times the member's annual salary rate at the time the agreement is entered into, and (C) times the number of full and partial years of service to be purchased. Partial years of service shall be rounded down to the full month. Such agreement shall identify the method of payment of the additional contributions required to fund the purchased credit, which will be a specific dollar payment.

(2) Notwithstanding paragraph (1), if the member had left his or her contributions on deposit with the government entity for which full-time service is being purchased until after the later of the member's date of hire by the City or the Presentation Date, the buy back purchase price will be the amount of member contributions and interest on deposit in the member's account with that government entity. For the purpose of purchasing service credit, the City Employees' Retirement System may either receive (A) eligible rollover distributions, as defined in Section 401(a)(31) of the Internal Revenue

Code, (B) rollover contributions, as defined in section 408(d)(3) of the Internal Revenue Code or (C) direct cash contributions, the timing of which shall be governed by subsection (b)(1) herein. The Board of Administration shall prescribe such rules and forms as are necessary to determine when proposed contributions hereunder qualify as rollover contributions.

(f) Method of Purchase.

(1) The purchase of service under this section may occur on either a pretax or after-tax basis. In the case of purchase on an after-tax basis, the member may elect to make the payment in a lump sum or in biweekly installments through payroll deduction subject to any applicable Internal Revenue Code restriction.

(2) As an alternative to after-tax contributions, contributions may be paid on a pre-tax basis, by payroll deduction only, if the member so elects at the time the buy back agreement is entered into. Such election, once filed, shall be irrevocable. The rules of Chapter 15 of Division 4 of the Administrative Code shall be fully applicable to such contributions, so that the wages of affected employees shall be considered reduced by the amount of employer contributions made under this subsection (2).

(3) Should the member elect to purchase the buy back service credit through payroll deduction, annual interest at a rate determined by the Board and set at the commencement of the agreement shall be charged. The minimum biweekly payroll deduction shall be \$25.00.

(g) Execution of the Agreement.

A member entering into a buy back agreement shall complete all contributions prior to the effective date of retirement in order to receive agreed upon buy back credit. In the event the member elects to retire prior to completion of the buy back agreement, the member may receive prorated buy back credit for that portion of the service with other governmental entities or pre-1979 uncompensated maternity leave which have been purchased by contributions already made and forfeit the remainder of credit covered by the agreement; or, the member may make a lump sum payment sufficient to complete the total payment covered by the agreement. Additionally, a member who elects to terminate an after-tax agreement prior to its completion, or at the time of retirement, may elect to receive a cash refund of the buy back contributions and interest payable upon the earlier of death, termination of employment or retirement or prorated buy back credit.

(h) Plan Member's Death.

In the event of the death of a member who has entered into a buy back agreement, the surviving eligible beneficiary of the member may elect a refund of the buy back contributions and interest thereon, elect to apply the credit or a portion thereof to the calculation of the benefits for which the survivor qualifies without the addition of buy back service credit or elect to complete the terms of the agreement with a lump sum payment of the remaining amount owed.

(i) Benefit Adjustment.

For the purpose of Section 508(2) of Article XXXIV of the Charter and parallel provisions of this Chapter 10 of Division 4 of the Administrative Code, accumulated contributions attributable to contributions under this subsection shall not be taken into account for the purpose of determining whether the pension otherwise payable to a member should be increased because accumulated contributions are the actuarial equivalent of an annuity equal to more than 50% of the retirement allowance computed using the primary percentage rate (e.g., 2/3% in Section 508C(2) of Article XXXIV of the Charter or 1.08% in Section 4.1022 of this chapter.).

(j) Administration.

The administration of this section shall be under the exclusive management and control of the Board of Administration. Said Board shall have and is hereby granted full power and authority to adopt and enforce all such rules and regulations as it may deem necessary for the carrying out of the provisions of this ordinance. The Board of Administration shall have the right to construe this section, to interpret any provision thereof, to make rules and regulations relating to this section, and to determine any factual questions arising in connection with this section's operation after such investigation or hearing as the Board may deem appropriate. Any decision made by the Board under the provisions of this section shall be conclusive and binding on all parties concerned.

(k) El Pueblo Employees.

Notwithstanding the above, persons who were employed by El Pueblo de Los Angeles State Historic Monument between May 17, 1977 and June 30, 1995 and who became members of CERS on July 1, 1995, may purchase service credit for their employment with the El Pueblo between May 17, 1977 and June 30, 1995. Applications to purchase such credit must be filed within one year of the Effective

Date of this ordinance. The service credit purchased under this section for employment at El Pueblo shall be treated the same as service credit under CERS including vesting, disability retirement and minimum qualification for service retirement.

Sec. 3. Subsection (a) of Section 4.1061 of the Los Angeles Administrative Code is hereby amended by adding the following unnumbered paragraph to read as follows:

"For the purpose of applying the limitations of section 415(e) of the Internal Revenue Code, the portion of the CERS that constitutes a defined benefit plan shall be the portion subject to reduction in the event that section 415(e) requires reduction of benefit or contributions."

Sec. 4. Division 4 of the Los Angeles Administrative Code is hereby amended by adding Section 4.1064 to Chapter 10 thereof, to read as follows:

Sec. 4.1064. Direct Rollovers.

(a) This section applies to distributions made on or after January 1, 1993. Notwithstanding any provision of the City Employees' Retirement System to the contrary that would otherwise limit a distributee's election under this part, a distributee may elect, at the time and in the manner prescribed by the Board of Administration, to have any portion of an eligible rollover distribution that is equal to at least \$200 paid directly to an eligible retirement plan specified by the distributee in a direct rollover.

(b) Definitions.

"Eligible rollover distribution": An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments made for the life of the distributee or the joint lives of the distributee and the distributee's designated beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under section 401(a)(9) of the Internal Revenue Code; and the portion of any distribution that is not includable in gross income; and any other distribution(s) that is reasonably expected to total less than \$200 during a year.

"Eligible retirement plan": An eligible retirement plan is an individual retirement account described in section 408(a) of the Code, an individual retirement annuity described in section 408(b) of the Code, an annuity plan described in section 403(a) of the Code, or a qualified plan described in section 401(a) of the Code, that accepts the distributee's eligible rollover distribution. However, in the case of an eligible rollover distribution to the surviving spouse, an eligible retirement plan is an individual retirement account or individual retirement annuity.

"Distributee": A distributee includes an employee or former employee. In addition, the employee's or former employee's surviving spouse and the employee's or former employee's spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in section 414(p) of the Code, are distributees with regard to the interest of the spouse or former spouse.

"Direct Rollover": A direct rollover is a payment by the plan to the eligible retirement plan specified by the distributee.

Sec. 5. Division 4 of the Los Angeles Administrative Code is hereby amended by adding Section 4.1800 to Chapter 18 thereof, to read as follows:

There is hereby created, established and adopted separate and apart from the City Employees' Retirement System a plan entitled the Excess Benefit plan to supplement the benefits of certain employees under the City Employees' Retirement System as defined in Article XXXIV of the Charter of the City of Los Angeles to the extent such benefits are reduced by the limitations on benefits imposed by Section 415 of the Internal Revenue Code of 1986 as amended.

(a) Definitions.

For the purpose of this ordinance, the following words and phrases shall have the meaning ascribed to them in this ordinance unless a different meaning is clearly indicated by the context:

"Board" or "Board of Administration" shall mean the Board of Administration as defined in Section 503 of Article XXXIV of the Charter of the City of Los Angeles.

"CERS" shall mean the City Employees' Retirement System as defined under Section 500 of Article XXXIV of the Charter of the City of Los Angeles.

"City" shall mean the City of Los Angeles.

"Code" shall mean the Internal Revenue Code of 1986 as amended.

"Participant" shall mean those employees eligible for participation in the Plan. As used herein, the term "employee" shall mean every person in the employ or service of the City as reflected on the payroll records of the City.

"Plan" shall mean the Excess Benefit Plan set forth herein, as amended from time to time.

(b) Eligibility.

Those employees who are members of the CERS and whose benefits at the time of payment are reduced by the limitation on benefits imposed by Section 415 of the Code shall be Participants hereunder.

(c) Benefits.

The benefits which each Participant shall be entitled to receive under this Plan shall be the difference between the actual benefits of such Participant under the CERS and the benefits that would have been payable under the CERS except for the limitations on benefits imposed by Section 415 of the Code. The benefits payable under this Plan shall be payable to the Participant or to any other person who is receiving or entitled to receive benefits with respect to the Participant under the CERS, and shall be paid in the same form, at the same times and for the same period as benefits are paid with respect to the Participant under the CERS. Notwithstanding the foregoing, the Board in its discretion may elect to pay a benefit under this Plan in a lump sum in the event that the actuarial equivalent present value of the benefit at the commencement of payment is \$5,000 or less.

The Board and the City shall make appropriate arrangements to deduct from all amounts paid under the Plan any taxes required to be withheld with respect to the Plan by any government or governmental agency.

Except as otherwise provided in the Plan, no right or benefit under the Plan shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance or charge, and any attempt to anticipate, alienate, sell, assign, pledge, encumber or charge such right or benefit shall be void. No such right or benefit shall in any manner be liable for or subject to the debts, liabilities or torts of a Participant or other benefit recipient. In addition, no right of a Participant or other benefit recipient under the Plan is transferable by inter vivos gift or testamentary disposition.

(d) Administration.

The Plan shall be under the exclusive management and control of the Board of Administration. The Board shall have and is hereby granted full power and authority to adopt and enforce all such rules and regulations as it may deem necessary for the carrying out of the provisions of this ordinance. The Board of Administration shall have the right to construe the Plan, to interpret any provision thereof, to make rules and regulations relating to the Plan, and to determine any factual questions arising in connection with the Plan's operation after such investigation or hearing as the Board may deem appropriate. Any decision made by the Board under the provisions of this ordinance shall be conclusive and binding on all parties concerned.

(e) Funding.

The Plan shall be unfunded, and benefits under the Plan shall be paid from the General Fund of the City of Los Angeles through an Excess Benefit Plan Fund hereby established for payment of administration expense and benefit payments, subject to the claims of the City's general creditors. No person other than the City shall by virtue of the provisions of the Plan have any interest in such amounts. Title to and beneficial ownership of any assets, whether cash or other investments which the City may earmark to pay any amount under the Plan, shall at all times remain in City, and Participants and any other persons entitled to benefits hereunder shall not have any property interest whatsoever in any specific assets of the City. The obligation of the City to make payments pursuant to the Plan is contractual only. No Participant or other person entitled to benefits hereunder shall have a preferred claim or lien on any assets of the City.

(f) Budget.

The Board of Administration shall annually prepare and transmit to the Mayor and Controller a budget setting forth the estimated cost of maintaining the Plan, which budget shall include therein:

1. A sum equal to 125% of the projected benefit payments to be made in the budget year, offset by any residual sum budgeted in a previous year and not expended for a previous year's benefit payments.
2. A sum estimated to provide for administrative costs of the Plan.

(g) Amendment or Termination of Plan.

The Council of the City of Los Angeles shall have the right to amend the Plan with the exception of this section, or terminate the Plan at any time. If the Plan is terminated, the actuarial equivalent present value of any remaining benefits payable

to a Participant or other person, increased by an amount determined by the Board to permit approximately the same after-tax payout over time to Participants as would have been realized in the absence of such termination, shall be paid in a lump sum 30 days after the termination of the Plan.

(h) Compliance with the Internal Revenue Code.

It is the intention that this Plan be a "qualified governmental excess benefit arrangement" within the meaning of Section 415(m) of the Code, and may at any time be amended to comply with the Code requirements to maintain such qualification and status. This Plan shall be deemed a "portion" of CERS solely to the extent required under, and within the meaning of, Section 415(m) of the Code, and not for any other purpose.

Sec. 6. The City Clerk shall certify to the passage of this ordinance and cause the same to be published in some daily newspaper printed and published in the City of Los Angeles.

I hereby certify that the foregoing ordinance was passed by the Council of the City of Los Angeles, by a vote of **not less than two-thirds** of all of its members, at its meeting of _____.

J. MICHAEL CAREY, City Clerk


By _____
Deputy


Approved _____

Mayor

Approved as to Form and Legality

JAMES K. HAHN, City Attorney

By 
GARCELLE J. EMBRY
Deputy City Attorney

By 
JOHN C. BLAIR
Deputy City Attorney

File No. _____

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Date: July 19, 1996
To: The City Council
From: Keith Comrie, City Administrative Officer *KPC*
Subject: **LETTER OF AGREEMENT REGARDING CHANGES IN THE BENEFITS PROVIDED BY CERS**

The City Employees Retirement System (CERS) is nearing a fully funded status. As a result City contributions are anticipated to drop \$35 million annually in 1996-97. Better than expected investment returns are anticipated to reduce the City's contribution by another \$20 million in 1997-98 for a total of \$55 million annually thereafter. On June 18, 1996, in recognition of this situation, the City Council approved a list of retirement program updates after mandatory meet and confer sessions with our employee organizations. These changes will reduce the 1997-98 \$55 million savings by \$14 million.

Attached for approval is the final fact sheet on the changes (Attachment A) and a tentative Letter of Agreement (Attachment B) with the employee organizations. The City Attorney will submit the ordinances necessary to implement the proposed changes under separate cover. The ordinances require a two-thirds vote of the City Council. These ordinances cannot be finally adopted until 30 days after their first presentation to the Council and a public hearing has been held.

RECOMMENDATIONS:

1. That the Council approve the Letter of Agreement between the City and affected bargaining representative (Attachment B) authorizing various enhancements in benefits paid by the City Employees' Retirement System; and
2. That the Council, subject to the approval of the Mayor, adopt the ordinances, which will be submitted under separate cover from the City Attorney, needed to implement the enhancements in benefits paid by the City Employees' Retirement System.
3. Schedule a public hearing 30 days after receipt of the implementing ordinances by the Council.

KC:MCH:sr

Attachments

9s0325

Mo
ADOPTED
do approve CAO Communic. Rec.
DEC 20 1996

LOS ANGELES CITY COUNCIL
*ORDS OVERTO JAN-21, 1997.
TO BE CONSIDERED AT A PUBLIC
HRNG. SCHEDULED ON SAME DAY
PURSUANT TO CHARTER SECT. 512.2*

JAN 21 1997 - LACK OF A QUORUM

ORDS
ADOPTED

JAN 22 1997

LOS ANGELES CITY COUNCIL
TO THE MAYOR FOR INFORMATION

NOTED IN THE RECORDS OF THE
HONORABLE CLERK OF THE COURT
IN THE COURT OF THE COMMON PLEAS
OF THE COUNTY OF CUYAHOGA
102 W. 12th St. Cleveland, Ohio 44119

HONORABLE CLERK OF THE COURT
102 W. 12th St. Cleveland, Ohio 44119

+++++ TIME:
12/20/96 12 24 47
AGENDA NO. 40 YES: 11 NO: 0 ABS: 4
ALARCON.....YES CHICK.....YES FEUER.....YES GALANTER.....YES
GOLDBERG.....YES HERNANDEZ.....YES HOLDEN.....YES RIDLEY-THOMASYES
WACHS.....YES WALTERS.....YES FERRARO.....YES ALATORRE.....ABS
BERNISON.....ABS BRAUDE.....ABS SVORINICH.....ABS
+++++

ORDS ADOPTED

+++++ TIME:
01/22/97 10 26 01
AGENDA NO. 34 YES: 10 NO: 0 ABS: 5
BRAUDE.....YES CHICK.....YES FEUER.....YES GOLDBERG.....YES
HERNANDEZ.....YES HOLDEN.....YES RIDLEY-THOMASYES SVORINICH.....YES
WACHS.....YES FERRARO.....YES ALARCON.....ABS ALATORRE.....ABS
BERNISON.....ABS GALANTER.....ABS WALTERS.....ABS
+++++

Description of Proposed Changes to CERS

1. **Continuation of health insurance subsidy equal to half Kaiser single party rate for three years then the full single party Kaiser rate for dependents after member's death**

cost: 0.33% of payroll; \$3.3 million each year; \$55.9 million present value

CERS provides a health subsidy benefit, beginning at age 55, to members who retire with at least ten years of service. The subsidy is prorated at 4% per year of City service (e.g. with 10 years it is 40%; with 25 years it is 100%). When the member dies, the surviving spouse may continue his/her coverage, but the subsidy ceases. The survivors must pay the full cost of the coverage. The proposal would continue a health subsidy, at half of the Kaiser single party rate, for the surviving spouse for the next three years; and the full single party Kaiser rate thereafter. Surviving spouses who have Medicare part "A" coverage will also be entitled to a Medicare reimbursement.

2. **Reduction of the early retirement penalty (use of DWP Factors)**

cost: 0.19 % of payroll; approximately \$1.9 million first year; \$25.5 million present value

Members who retire between 55 and 60 with less than thirty years of service and members who retire at less than 55 with thirty years of service have their benefits reduced. Those members over 55 have about a 3% per year reduction; under 55 about 4% per year. Members of the DWPERP in the same circumstances have a 1.5% reduction between 55 and 60, and a 3.5% reduction if they are under 55. CERS members would now be subject to the same discount as members of the DWPERP.

3. **Increase the death benefit payment from \$500 to \$2,500 (Burial Allowance)**

cost: 0.08 % of payroll; approximately \$770,000 first year; \$14.1 million present value

Upon the death of a retired member, CERS pays \$500 to the beneficiaries to defray funeral expenses. This proposal increases the benefit to \$2,500.

4. **Portability of retirement benefits**

cost: 0.4% of payroll; approximately \$4 million first year

Term limits mean that some City employees can, at most, stay eight years. It takes ten years to be eligible to obtain a retirement check at some future date. A plan could be developed that provides such persons the same amount of money the City would put into the retirement system for them, but set aside in an independent retirement account they can take with them when they leave City service. The City cost of this component of portability should be very small.

Further, both public and private employment tends to be shorter term than in the past. Retirement portability is an issue. A system could be set up to allow City employees to transfer their contributions and credits from other public service to the City retirement system. Where individuals participated in a non-contributory systems (i.e. they did not make employee contributions to the system) they would be required to contribute the same employee amount they would have if they were a City employee for the same service time. Public service means all local, state and federal government agencies including the military.

5. **Extension of pension benefits to domestic partners**

cost: 0.04% to 0.18% of payroll, \$370,000 to \$1.8 million first year cost; \$5.5 million to \$27.3 million present value

Domestic partners of members should have the same status as eligible spouses.

6. **Changes in the death benefit for active members ineligible to retire**

cost: 0.14% of payroll, approximately \$1.4 million first year; \$15.1 million present value.

Background: Upon the death of an employee not yet eligible to retire, the surviving spouse or dependents receive one of the following benefits:

- A. All survivors receive a 60% disability survivorship benefit which usually provides about 20% of the members' salary.
- B. Survivors of members who participated in the voluntary Family Death Benefit Insurance Plan (FDBIP) receive an amount originally intended to be similar to those provided to survivors under Social Security, but which has fallen short of this goal. The employee and the City contribute equal amounts to provide this benefit.
- C. Survivors of members who were eligible to retire may elect to receive a retirement amount based on years of service or the FDBIP benefit, but not both.

Proposal: Develop a benefit combining the active death benefit and the Family Death Benefit Insurance Plan to provide a more adequate benefit. A specific plan is still being developed, but it should include the following:

- A. Replacing the 60% disability survivorship benefit with a 100% continuance of the disability pension (30% of salary with a minimum of five years City service).
- B. Providing a surviving spouse the option of waiting for a regular service pension rather than taking the disability pension.

The FDBIP can also be restructured to emulate the Social Security benefit. Because this program is currently over funded, the cost to change the FDBIP should be minimal, if anything.

7. Reduce the minimum retirement age for members with 30 years of service for a three year period

Currently members must be age 55 with at least 30 years of service to receive unreduced retirement benefits. Pursuant to this agreement, members with 30 years of service who are at least 50 years of age would be eligible to retire with unreduced retirement and health subsidy benefits. The benefit would be in effect for three years from the effective date of the ordinance implementing this benefit (window period). Retirement applications must be approved by the Board of Administration during the three year window period in order for the member to take advantage of this benefit. This short-term change will assist the City in its downsizing efforts.

cost: 0.13% of payroll; approximately \$1.3 million annually; \$19.2 present value.

8. Implementation

These changes are subject to legal and actuarial work to make sure the City retirement system remains in conformance with federal law. It is expected this work will take 90 to 180 days.

**Letter of Agreement
Regarding Changes in Benefits Provided by the
City Employees Retirement System**

The parties to this Letter of Agreement are the City (hereinafter Management) and the employee organizations (hereinafter Unions) listed below who represent employees who are members of the City Employees Retirement System (hereinafter CERS) as provided for in Section 502 of the City Charter.

The parties agree to implement changes in the benefits provided by CERS described below:

1. Contribution of health insurance subsidy for surviving dependents after the member's death

Currently, CERS provides a health subsidy benefit, beginning at age 55, to members who retire with at least ten years of service. The subsidy is prorated at 4% per year of City service (e.g. with 10 years it is 40%; with 25 years it is 100%). When the member dies, the surviving spouse may continue his/her coverage, but the subsidy ceases. The survivor must pay the full cost of the coverage.

Pursuant to this agreement, the City will continue a health subsidy for a surviving dependent (i.e.; eligible spouse or dependents receiving a continuance allowance) after the member's death if the member was receiving a health subsidy. If the member died prior to receiving a health subsidy, the surviving spouse will become eligible to receive a health subsidy when the member would have become eligible. The subsidy will continue to be subject to the proration schedule described above and may not exceed half of the Kaiser single party rate for retired members for 36 months from the effective date of the ordinance implementing this change and the full single party Kaiser rate for retired members thereafter. In addition, surviving dependents opting to take this benefit must follow the same requirements for Medicare coverage that apply to the member. Specifically, at age 65, the surviving dependent must apply for Medicare to the full extent of entitlement. If the entitlement includes Part A coverage, the City will reimburse the surviving dependent the premium cost for Part B and provide a medical subsidy per the following formula.

For 36 months from the effective date of the ordinance implementing this change, the subsidy amount shall be one-half ($\frac{1}{2}$) of the following formula, thereafter it will be the full amount of the following formula:

For ten (10) but less than fifteen (15) years of City service, 75 percent of the single party premium for a member with Part A and B of Medicare in the plan in which the member is enrolled;

For fifteen (15) but less than twenty (20) years of City service, 90% of the single party premium for retirement members with Part A and B of Medicare in the plan in which the member is enrolled; and
For twenty (20) or more years of City service, 100 percent of the single party premium for retired members with Part A and B of Medicare in the plan in which the member is enrolled.

In no case will the medical subsidy for a surviving dependent exceed the single party Kaiser rate for members without Medicare A and B.

In addition to the active members represented by the Unions to this agreement, this benefit will be provided to all retired members and current surviving spouses.

2. Reduction of the early retirement penalty (use of DWP Factors)

Members who retire between ages 55 and 60 with less than thirty years of service and members who retire at less than 55 with thirty years of service have their benefits reduced. Currently the reduction factor for those members over 55 is about 3% per year. The reduction factor for those members under 55 is about 4% per year. Pursuant to this agreement, the reduction factors will be reduced to 1.5% reduction between 55 and 60, and 3% reduction if they are under 55. The reduction factors are shown on the attached exhibit.

3. Increase the death benefit payment from \$500 to \$2,500

Upon the death of a retired member, CERS pays a \$500 death benefit to the member's beneficiaries to defray funeral or other expenses. Pursuant to this agreement, the benefit will be increased to \$2,500.

4. Portability of Retirement Benefits

Pursuant to this agreement, the City will provide a program which allows members to acquire years of service in CERS based on previous public service. (Public service means local, state and federal government agencies including the military.) The City agrees to pick up all employer related costs.

The parties agree to meet and confer on the plan design for and implementation of this program. The City and the affected unions agree to work in good faith to expeditiously develop and implement a plan design. The City will develop a proposal to amend the public service buy-in program and present it to the Unions to this agreement on or about October 1, 1996.

In addition, the City will develop and implement a program for employees subject to term limits that provides the same amount of money the City would put into the retirement system for them, but set aside in an independent retirement account they can take with them when they leave City service. Term limits mean that some employees can, at most stay eight years.

5. Extension of pension benefits to domestic partners

Under the current retirement provisions, there is no mechanism to provide a retirement income to the domestic partners of members. Pursuant to this agreement, domestic partners of members will be considered an "Eligible Spouse" for the purposes of retirement and health subsidy benefits. To obtain domestic partner benefits, the member and the domestic partner must meet the following conditions and attest to this by completing and signing an Affidavit of Domestic Partnership filed with CERS:

- a. are in a committed and mutually exclusive relationship in which the member and domestic partner are jointly responsible for each other's welfare and financial obligations;
- b. have resided together in the same principal residence for at least 12 months and intend to do so indefinitely; and
- c. are 18 years of age or older, unmarried, and not blood relatives.

For a member's domestic partner to be eligible for a retirement continuance, the Affidavit of Domestic Partnership must be on file with CERS at least one year before the member's retirement and still in place at the time of the member's death. However, for those member's who have an Affidavit of Domestic Partnership on file with the Personnel Department and file an Affidavit of Domestic Partnership with CERS on or before December 31, 1996 the one year period required before a member's retirement will begin on the date the Affidavit was accepted by the Personnel Department.

By extending to an employee the specific benefits defined in this Letter of Agreement, the City does not intend to confer or imply any other unspecified benefits to such member, or the member's domestic partner.

6. Change the death benefit for active members not yet eligible to retire

Pursuant to this agreement, the City will provide enhanced active death benefits and improve the Family Death Benefit Insurance Plan (FDBIP) as follows.

Active Death Benefit

- a. Replace the 60% disability survivorship benefit with a 100% continuance of the disability pension retirement allowance.
- b. Allow the surviving spouse to receive a 100% survivorship allowance when the member would have been eligible for a service retirement.
- c. Allow the surviving spouse of former vested member to receive a 100% survivorship allowance when the member would have been eligible for a service retirement.

Family Death Benefit Insurance Allowance

- a. The family allowance will be increased to the 1996 social security maximum.
- b. The surviving spouse benefit will be doubled.

7. Reduce the minimum retirement age for members with 30 years of service for a three year period

Currently members must be age 55 with at least 30 years of service to receive unreduced retirement benefits. Pursuant to this agreement, members with 30 years of service who are at least 50 years of age would be eligible to retire with unreduced retirement and health subsidy benefits. The benefit would be in effect for three years from the effective date of the ordinance implementing this benefit (window period). Retirement applications must be approved by the Board of Administration during the three year window period in order for the member to take advantage of this benefit.

This Letter of Agreement constitutes a joint recommendation of Management and the Unions and shall not be binding in whole or in part on the parties listed below unless and until the City Council has approved the Letter of Agreement in the manner required by law. The changes described above require ordinances to be implemented. Therefore, the changes will become operative on the effective date of the ordinances unless otherwise specified.

CERS will pay benefits only in accordance with prevailing local, state and federal laws. Should the implementation of this agreement cause members to exceed benefit limits established under the Internal Revenue Code Section 415, the provisions of Ordinance No. 165334 will apply. The City will meet and confer with the unions on alternate means of maintaining for such members the level of benefits in effect at the time of the members retirement.

For purposes of constructing this instrument, all language herein is deemed to have been jointly drafted by the parties.

ERD
9sr0311

(Signature page follows)

For the City:

K. Canale
City Administrative Officer

7/18/96
Date

For the Employee Organizations

Airport Supervisory Police Officers Assn. of LA

Date

Charles F. Davis
AFSCME

July 11, 1996
Date

William T. Thompson
LA City Attorneys Assn.

7-1-96
Date

Robert H. Duncan
Engineers and Architects Assn.

7/11/96
Date

Los Angeles Airport Peace Officers Assn.

Date

Julius Butcher
SEIU Local 347

7/11/96
Date

Skip Harkle
LA/Orange County Building Trades Council

7-11-96
Date

Frank Allen
L.A. City Supervisors and Superintendents Assn

7-11-96
Date

L. A. Port Pilots Assn.

Date

L.A. Port Police Assn.

Date

Charley M. Mims
L.A. Professional Managers Assn.

July 11, 1996
Date

David H. Hamilton
Local 501, Operating Engineers

7-11-96
Date

Municipal Construction Inspectors Assn.

Date

Municipal Construction Inspectors Assn.

Date

EXHIBIT**EARLY RETIREMENT REDUCTION FACTORS
1.5%/3.5%**

Age at Retirement	Proportion of Earned Benefits Payable	Age at Retirement	Proportion of Earned Benefits Payable
45	.625	53	.865
46	.655	54	.895
47	.685	55	.925
48	.715	56	.940
49	.745	57	.955
50	.775	58	.970
51	.805	59	.985
52	.835	60	1.000

ATTACHMENT II
OFFICE OF
CITY ATTORNEY



JAMES K. HAHN
CITY ATTORNEY

EUDON FERRELL
SUPERVISING CITY ATTORNEY
GARCELLE J. EMBRY
JOHN C. BLAIR
DEPUTY CITY ATTORNEYS
ATTORNEYS FOR THE
DEPARTMENT OF PENSIONS
AND
CITY EMPLOYEES' RETIREMENT SYSTEM

PENSIONS DEPARTMENT

360 EAST 2ND STREET
SUITE 600
LOS ANGELES, CALIFORNIA 90012
TELEPHONE: (213) 485-4917
FACSIMILE: (213) 847-3529

REPORT NO. **R 96 - 0461**
DEC 13 1996

REPORT RE:

**DRAFT ORDINANCE AMENDING DIVISION 4
OF THE LOS ANGELES ADMINISTRATIVE CODE
BY ADDING AND AMENDING VARIOUS SECTIONS TO
CHAPTER 10 AND ADDING CHAPTER 18 TO IMPLEMENT CHANGES
REFLECTED IN THE LETTER OF AGREEMENT REGARDING
BENEFITS PROVIDED BY THE CITY EMPLOYEES' RETIREMENT SYSTEM**

The Honorable City Council
City Council, City of Los Angeles
Room 395, City Hall
Los Angeles, CA 90012

Honorable Members:

This office has prepared a draft of a proposed ordinance to amend the Los Angeles Administrative Code. The proposed ordinance implements the portability of benefits for employees of the City of Los Angeles as set forth in the Letter of Agreement between the City of Los Angeles and the affected bargaining units.

This ordinance may be adopted by the City Council pursuant to the provisions of Section 512.2 of the City Charter subject to the following requirements:

“(a) Ordinances adopted pursuant to this section must be approved by not less than two-thirds of the membership of the Council, subject to the veto of the Mayor and readoption by the Council in the same manner as other ordinances requiring a two-thirds vote. No such ordinance may be finally adopted by the Council until the expiration of at least thirty days after its first presentation to the Council, nor until after a public hearing has been held thereon.”

Section 512.2 of the Charter provides that as a further condition to the final adoption of the proposed ordinance, an enrolled actuary must advise the Council, in writing, of the cost of the benefit increases.



CITY CL.

'96 DEC 17 A9:38

CITY CLERK

BY _____ DEPT.

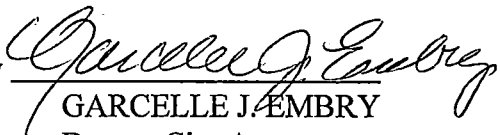
The City Council is also subject to Section 512.3 of the City Charter as to Sections 5 and 6 of the ordinance (the Limited Term Retirement Plan and the Excess Benefit Plan). Section 512.3 provides:

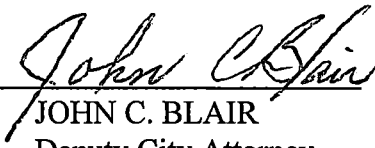
“(a) The Council may by ordinance adopted in accordance with Section 512.2 authorize the Board of Administration of the City Employees’ Retirement System to administer retirement plans 1) for employees of the City who are not members of the City Employees’ Retirement System or any other retirement system provided by this Charter, or 2) as a plan supplemental to any other pension or retirement plan established under this Charter. Such supplemental or alternative plans shall be separate and distinct from the City Employees’ Retirement System and not subject to the definitions, conditions of entitlement or requirements applicable to that System.”

Section 512.3 of the City Charter also provides that no assets of the City Employees’ Retirement Fund shall be used to provide the administrative or investment services for such other plans.

Very truly yours,

JAMES K. HAHN, City Attorney

By 
GARCELLE J. EMBRY
Deputy City Attorney

By 
JOHN C. BLAIR
Deputy City Attorney

DESCRIPTION OF PROPOSED CERS BENEFITS

PORTABILITY

A. PERS Reciprocity

The City will apply for reciprocity with the California Public Employees Retirement System (PERS). Reciprocity allows member to receive benefits (if other eligibility requirements are met) using the salary from the last employer for computation purposes. If PERS approves the application, Management will take all steps necessary to enter into a contract with PERS.

B. Government Service Credit (GSC) Program

1. Eligible Service:

- a. Government service (U.S. entities only including the United States Postal Service), other than employment with the City of Los Angeles. Service with a government agency with which the City has a reciprocity agreement (or reciprocal arrangement) or for which the employee is or will receive retirement benefits are not eligible for GSC. Any amount of eligible public service may be purchased.
- b. Mandatory unpaid maternity leave (pre -1979). (Applications for credit must be filed within one year of the effective date of the ordinance implementing this provision.)
- c. Service with the El Pueblo de Los Angeles State Historic Monument, for persons who were employed by the institution between May 17, 1977 and June 30, 1995 who became members of CERS on July 1, 1995. (Applications for credit must be filed within one year of the effective date of the ordinance implementing this provision.)

2. Uses of Purchased Credit

- a. Eligibility for all CERS benefits (e.g. retirement, health subsidy, FDBIP), but not vesting unless the service was with El Pueblo.
- b. Amount of benefit (i.e. formula).

3. Employee Cost

- a. direct purchase
 - i. amount: current contribution rate times current annual salary times number of years to purchase
 - ii. payment: lump sum (up to IRS limits which are currently \$30,000 annually) or payroll deduction on a pre- or post- tax basis under rules promulgated by the program administrator.

- b. rollover from a qualified system
 - i. amount: all employee contributions (even if picked up by the employer and interest)
 - ii. payment: funds sent directly from the other agency
 - iii. restrictions: If rollover of funds is possible, employees must do so to qualify for GSC.

C. Public Service Buy Back Program

1. Allow benefit increases approved by the Council subsequent to the effective date of the ordinance implementing this change to apply to purchased service credit.
2. Give the survivors of members who die before their purchase contracts are completed the option to complete the contract.
3. Allow members who have entered into contracts the option to rescind their contracts and apply for the GSC program.

EXCESS BENEFIT PLAN

- A. Plan Provisions: create contractual obligation to provide the additional benefit that would have been provided absent the 415 limits.
- B. Funding: plan will be unfunded as required by IRS regulations; the plan administrator will request funding annually from the City as part of its budget request.

cers97-h

Letter of Agreement
Regarding City Employees Retirement System
Portability and Pension Protection

The parties to this Letter of Agreement are the City (hereinafter Management) and the employee organizations (hereinafter Unions) listed below who represent employees who are members of the City Employees Retirement System (hereinafter CERS) as provided for in Section 502 of the City Charter.

The parties agree to implement changes in the benefits provided by CERS described below: The basic provisions of the contract are outlined on the attachment.

1. Enter into a Reciprocity Agreement with the California Public Employees Retirement System (PERS).
2. Create a Government Service Credit (GSC) Program for the purchase of full time service with a Government Entity other than the City of Los Angeles., pre-1979 unpaid maternity leave and service with El Pueblo.
3. Amend the existing Public Service Buy Back Program to allow employees to rescind their participation in order to enroll in the GSC program.
4. Create an Excess Benefit Plan to provide full retirement benefits to CERS members who exceed limits specified under Section 415 of the Internal Revenue Code.

The designation of the program administrator will be the sole discretion of the Mayor and Council.

This Letter of Agreement constitutes a joint recommendation of Management and the Unions and shall not be binding in whole or in part on the parties listed below unless and until the City Council has approved the Letter of Agreement in the manner required by law. The changes described above require ordinances to be implemented. Therefore, the changes will become operative on the effective date of the ordinances unless otherwise specified.

For purposes of constructing this instrument, all language herein is deemed to have been jointly drafted by the parties.

(Signature page follows)

CITY CLERK

'96 DEC 17 A9:38

CITY CLERK

BY _____ DEPT

For the City:

K. C. Cunningham
City Administrative Officer

12-13-96
Date

For the Employee Organizations:

Airport Supervisory Police Officers Assn. of LA

Date

Cheryl Parini
AFSCME

Dec 5, 1996
Date

Shirley K. Smith
LA City Attorneys Assn.

12/11/96
Date

Robert J. Duncan
Engineers and Architects Assn.

Date

Los Angeles Airport Peace Officers Assn.

Date

John Butcher
SEIU Local 347

12/5/96
Date

Stephanie H. Hark
LA/Orange County Building Trades Council

5-Dec-96
Date

Betty Anderson
L.A. City Supervisors and Superintendents Assn

12/6/96
Date

L. A. Port Pilots Assn.

Date

L.A. Port Police Assn.

Date

Charles M. Mims
L.A. Professional Managers Assn.

11/25/96
Date

David A. Thompson
Local 501, Operating Engineers

11-26-96
Date

Ralph Delmonico
Municipal Construction Inspectors Assn.

Date

Municipal Construction Inspectors Assn.

Date

EUDON FERRELL
SUPERVISING CITY ATTORNEY

GARCELLE J. EMBRY
JOHN C. BLAIR
DEPUTY CITY ATTORNEYS

ATTORNEYS FOR THE
DEPARTMENT OF PENSIONS
AND
CITY EMPLOYEES' RETIREMENT SYSTEM

OFFICE OF
CITY ATTORNEY



JAMES K. HAHN
CITY ATTORNEY

PENSIONS DEPARTMENT

360 EAST 2ND STREET
SUITE 600
LOS ANGELES, CALIFORNIA 90012
TELEPHONE: (213) 485-4917
FACSIMILE: (213) 847-3529

REPORT NO. R 96 - 0465

DEC 16 1996

REPORT RE:

DRAFT ORDINANCE AMENDING DIVISION 4
OF THE LOS ANGELES ADMINISTRATIVE CODE
BY ADDING CHAPTER 18 THERETO TO PROVIDE FOR THE
ADMINISTRATION OF AN ADDITIONAL BENEFIT PLAN
BY THE CITY EMPLOYEES' RETIREMENT SYSTEM
AS REFLECTED IN THE LETTER OF AGREEMENT

The Honorable City Council
City Council, City of Los Angeles
Room 395, City Hall
Los Angeles, CA 90012

Honorable Members:

This office has prepared a draft of a proposed ordinance to amend the Los Angeles Administrative Code. The proposed ordinance creates the limited term retirement plan for elected officials.

The City Council is subject to Section 512.3 of the City Charter. Section 512.3 provides:

“(a) The Council may by ordinance adopted in accordance with Section 512.2 authorize the Board of Administration of the City Employees' Retirement System to administer retirement plans 1) for employees of the City who are not members of the City Employees' Retirement System or any other retirement system provided by this Charter, or 2) as a plan supplemental to any other pension or retirement plan established under this Charter. Such supplemental or alternative plans shall be separate and distinct from the City Employees' Retirement System and not subject to the definitions, conditions of entitlement or

CITY

'96 DEC 17 A9:38

CITY CLERK

BY _____

DEPT.

requirements applicable to that System.”

Section 512.3 of the City Charter also provides that no assets of the City Employees’ Retirement Fund shall be used to provide the administrative or investment services for such other plans.


Section 512.2 of the City Charter provides:


“(a) Ordinances adopted pursuant to this section must be approved by not less than two-thirds of the membership of the Council, subject to the veto of the Mayor and readoption by the Council in the same manner as other ordinances requiring a two-thirds vote. No such ordinance may be finally adopted by the Council until the expiration of at least thirty days after its first presentation to the Council, nor until after a public hearing has been held thereon.”

Section 512.2 of the Charter provides that as a further condition to the final adoption of the proposed ordinance, an enrolled actuary must advise the Council, in writing, of the cost of the benefit increases.

Very truly yours,

JAMES K. HAHN, City Attorney

By 
GARCELLE J. EMBRY
Deputy City Attorney

By 
JOHN C. BLAIR
Deputy City Attorney

GJE:JCB:th
Attachments

(213) 485-4917

ORDINANCE NO. _____

An ordinance amending Division 4 of the Los Angeles Administrative Code by adding section 4.1850 to Chapter 18 thereto, so as to provide for the administration of an additional benefit plan by the City Employees' Retirement System.

**THE PEOPLE OF THE CITY OF LOS ANGELES
DO ORDAIN AS FOLLOWS:**

Section 1. Division 4 of the Los Angeles Administrative Code is hereby amended by adding Section 4.1850 to Chapter 18 thereof, to read as follows:

There is hereby created, established, and adopted a fund to be known as the "Limited Term Retirement Fund" for payment of administration expenses and benefits of the Plan. The Fund shall consist of all money paid into said Fund in accordance with the provisions of this Plan, and earnings from investments held in the Fund. The Fund shall be a trust fund, and its assets shall be held for the exclusive purposes of providing benefits to Participants and their Beneficiaries, and defraying reasonable expenses of administering the Plan, to the extent not reimbursed by the City.

The purpose of this Plan is to provide a portable retirement benefit for elected officials of the City of Los Angeles (the "City") whose terms are limited by the Charter of the City of Los Angeles (the "Charter"). Contributions made by the City to the Plan will be comparable to those made for members of the City Employees' Retirements System ("CERS"). It is intended that this Plan shall be a qualified plan under Section 401(a) of the Internal Revenue Code. This Plan is effective as of July 1, 1997.

(a) Definitions.

For the purpose of this ordinance, the following words and phrases shall have the meaning ascribed to them in this ordinance unless a different meaning is clearly indicated by the context:

"Average Member Cost" shall mean a percentage, in effect for such Plan Year, equal to the sum of: (1) The percentage of City contributions needed to fund the CERS for all benefits provided by the CERS; and (2) Any ancillary costs incurred by the City in support of benefits provided by the CERS expressed as a percentage of covered payroll.

"Beneficiary" shall mean any person or legal entity designated in accordance with Subsection (h) hereof.

"Board" or "Board of Administration" shall mean the Board of Administration as defined in Section 503 of Article XXXIV of the Charter of the City of Los Angeles.

"**CERS**" shall mean the City Employees' Retirement System as defined under Section 500 of Article XXXIV of the Charter of the City of Los Angeles.

"**City**" shall mean the City of Los Angeles.

"**Code**" shall mean the Internal Revenue Code of 1986 as amended.

"**Compensation**" shall mean the gross salary of a Participant, not including bonuses, other benefits or overtime. The annual compensation of each Participant taken into account for determining all benefits provided under this Plan for any Plan Year shall not exceed \$150,000 determined in accordance with Section 401(a)(17) of the Code and the regulations thereunder and as adjusted for increases in the cost-of-living in accordance with Section 401(a)(17)(B) of the Code. The cost-of-living adjustment in effect for a calendar year applies to the Plan Year beginning in such calendar year. If a Participant is an active member for less than a Plan Year then the compensation limit is an amount equal to the otherwise applicable annual compensation limit multiplied by a fraction, the numerator of which is the number of full months in which the Participant was an active member and the denominator of which is 12.

"**Effective Date**" shall mean July 1, 1997.

"**Fund**" shall mean the Limited Term Retirement Fund.

"**Participant**" shall mean those employees eligible for participation in this Plan. Those employees eligible to participate in this Plan are those employees who are elected officials of the City and who are eligible to, and effectively, elect to opt out of the CERS under section 502(B)(9) of Article XXXIV of the Charter of the City of Los Angeles. An employee shall cease to be a Participant as to additional contributions upon termination of employment with the City or entrance into a different retirement plan provided by the City. As used herein, the term "employee" shall mean a person in the employ or service of the City as reflected on the payroll records of the City.

"**Plan**" shall mean the Limited Term Retirement Plan set forth herein, as amended from time to time.

"**Plan Year**" shall mean a 12 month consecutive period commencing with July 1 of each year and ending with June 30 of the following year. The Plan Year shall be the "limitation year" for purposes of Section 415 of the Code.

"**Valuation Date**" shall mean the last day of each Plan Year. In addition, the Board may fix, in a uniform and nondiscriminatory manner, one or more interim or recurring Valuation Dates.

(b) Administration.

The Plan shall be under the exclusive management and control of the Board of Administration. The Board shall have and is hereby granted full power and authority to adopt and enforce all such rules and regulations as it may deem necessary for the carrying out of the provisions of this ordinance, and shall discharge its duties in accordance with

Article XVI, Section 17 of the Constitution of the State of California. The Board of Administration shall have the right to construe the Plan, to interpret any provision thereof, to make rules and regulations relating to the Plan, and to determine any factual questions arising in connection with the Plan's operation after such investigation or hearing as the Board may deem appropriate. Any decision made by the Board under the provisions of this ordinance shall be conclusive and binding on all parties concerned. For each fiscal year, the Board shall prepare and submit to the City Council a budget for the cost of administration of the Plan for that year. In the event that the City Council fails to pay such costs, such costs shall be paid from the Fund and allocated to Participants' accounts as an expense.

The Board shall manage and administer the Fund and shall invest the assets of said Fund. Each Participant shall direct the investments allocated to his or her account according to investment options and procedures determined by the Board.

(c) Participant Contributions.

Each Participant shall contribute six percent (6%) of his or her Compensation to the Fund by salary deduction. Such contributions shall be treated as employer contributions for purposes of taxation in accordance with Section 414(h)(2) of the Code and shall be paid from the same source of funds as is used in paying Compensation. For all other purposes, such contributions shall be treated as employee after-tax contributions. The wages of Participants shall be reduced by the amount of Participant contributions. Nothing herein shall be construed to permit or extend an option to Participants to directly receive Participant contributions instead of having them contributed to the Fund.

It shall be impossible for any part of the contributions or earnings made under this Plan and held in the Fund to be used for, or diverted to, purposes other than the exclusive benefit of Participants or their Beneficiaries. Notwithstanding the foregoing, the City shall be entitled to recover contributions made to the Plan by mistake of fact within one year after payment.

(d) Matching Contributions by the City.

For each Plan Year, the City shall contribute for each Participant the Average Member Cost of the Participant's Compensation to the Fund; and

City contributions shall be paid into the Fund and credited to the Participant's individual account at intervals and in accordance with procedures to be determined by the Board. Notwithstanding the foregoing, the balance of any contribution owed for a Plan Year shall be paid within two and one-half months after the end of such Plan Year and credited to Participants' accounts as of the last day of such Plan Year.

(e) Accounts.

The Board shall maintain an individual account of the contributions made by or for each Participant. Investment gains or losses, and expenses, shall be allocated to each respective account as of each Valuation Date.

Except as otherwise provided in the Plan, no right or benefit under the Plan shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance or charge, and any attempt to anticipate, alienate, sell, assign, pledge, encumber or charge such right or benefit shall be void. No such right or benefit shall in any manner be liable for or subject to the debts, liabilities or torts of a Participant. In addition, no right of a Participant under the Plan is transferable by inter vivos gift or testamentary disposition.

(f) Vesting.

Each Participant's interest in his or her account shall be 100% vested and nonforfeitable. Notwithstanding the foregoing, if the Board, acting upon information available to it, cannot locate a person entitled to receive a benefit under the Plan within a reasonable period of time as determined by the Board in its sole discretion after the benefit becomes payable and such person has not contacted the Board concerning the distribution by the end of such period, the amount of the benefit shall be treated as a forfeiture and shall be applied first to the payment of costs of administering the Plan, and second as a source of the matching contributions hereunder. If, prior to the date final distributions are made following termination of the Plan, a person who was entitled to a benefit which has been forfeited pursuant to this Section makes a claim to the Board for such benefit, such person shall be entitled to receive the amount of such benefit as soon as administratively feasible after such claim is received. The amount of the previously forfeited benefit shall be reinstated by the City.

(g) Benefit Payments.

Each Participant is entitled to receive a lump sum payment of his or her account balance upon termination of employment with the City or entrance into a different retirement plan provided by the City. Such payment shall be based upon the account balance as of the immediately preceding Valuation Date, and shall be made within sixty (60) days of entitlement. In no event shall a benefit be paid both from this Plan and from CERS, with respect to the same period of service by a Participant.

1. A distributee may elect, at the time and in the manner prescribed by the Board of Administration, to have any portion of a distribution that is equal to at least \$200 paid directly to an eligible retirement plan specified by the distributee in a direct rollover.

2. For purposes of subsection (1):

(i) Eligible retirement plan means an individual retirement account described in section 408(a) of the Code, an individual retirement annuity described in section 408(b) of the Code, an annuity plan described in section 403(a) of the Code, or a qualified plan described in section 401(a) of the Code, that accepts the distributee's rollover distribution. However, in the case of a distributee's rollover distribution to the surviving spouse, an eligible retirement plan is an individual retirement account or individual retirement annuity;

(ii) Distributee includes an employee or former employee. In addition, the employee's or former employee's surviving spouse and the employee's or former employee's spouse or former spouse who is the alternate payee under an order described in subsection (i) herein, are distributees with regard to the interest of the spouse or former spouse; and

(iii) A direct rollover is a payment by the Plan to the eligible retirement plan specified by the distributee.

(h) Provision for Death Benefit.

A Participant may designate a Beneficiary to receive a distribution of the Participant's account balance in the event of the death of the Participant prior to receipt by the Participant of the refund of his or her account balance. The Beneficiary may be either a person or a legal entity. If the designated Beneficiary is a minor, the account balance may be paid to the parent of the minor on behalf of the minor, or, if no parent, to the designated payee of such minor as approved by the Board. Said designation may be made by filing a written designation duly executed and filed with the Board. If there is no Beneficiary, the disbursement will be in the same order as the disbursement procedure detailed in Section 511 of Article XXXIV of the Charter of the City of Los Angeles.

(i) Provision for Distribution Upon Dissolution of Marriage.

Upon proper service with a court order, the Plan will comply with community property division requirements and distribute to the non-Participant spouse in a lump sum the required amounts regardless of whether the Participant is still an active member of the Plan.

(j) Compliance with Internal Revenue Code.

It is the intention that this Plan be a qualified plan within the meaning of Section 401(a) of the Code and a profit sharing plan within the meaning of Section 401(a)(27) of the Code, and may at any time be amended to comply with the Code requirements to maintain such qualification and status. Contributions shall not be dependent on the existence of profits.

Notwithstanding any provision herein to the contrary:

1. Participant and matching contributions to a Participant's account shall not exceed the lesser of \$30,000 or greater amount under Section 415(d)(1)(C) of the Code for the plan year or 25% of the Participant's "compensation" as defined in Treasury Regulation Section 1.415-2(d)(10) from the City during the Plan Year.

2. In any case where a Participant is also a participant under a defined benefit plan maintained by the City, the sum of the defined benefit plan fraction and the defined contribution plan fraction, as defined in Section 415(e) of the Code shall not exceed 1.0. Reduction of contributions to or benefits from all plans, where required, shall be accomplished by first reducing the contributions in this Plan.

3. This shall be applied in all respects in accordance with Section 415 of the Code and the regulations thereunder.

(k) Rollovers.

The Plan will accept rollover transfers from other qualified plans at the election of the Participant.

(l) Plan Termination and Amendment.

This Plan may be terminated or amended at any time by the Council. Upon termination, account balances shall be distributed to Participants in accordance with subsection (g) herein, unless the Board in its discretion or as directed by applicable law transfers the assets and benefit liabilities of this Plan to another qualified plan maintained for employees of the City. The Plan may be amended at any time to reduce or eliminate the City contribution on behalf of current and future Participants. However, no amendment shall reduce the vested interest of a Participant who has an account balance as of the date such amendment becomes effective.

Sec. 2. The City Clerk shall certify to the passage of this ordinance and cause the same to be published in some daily newspaper printed and published in the City of Los Angeles.

I hereby certify that the foregoing ordinance was passed by the Council of the City of Los Angeles, by a vote of **not less than two-thirds** of all of its members, at its meeting of _____.

J. MICHAEL CAREY, City Clerk

By _____
Deputy

Approved _____

Mayor

Approved as to Form and Legality

JAMES K. HAHN, City Attorney

By *Garcelle J. Embry*
GARCELLE J. EMBRY
Deputy City Attorney

By *John C. Blair*
JOHN C. BLAIR
Deputy City Attorney

File No. _____

EUDON FERRELL
SUPERVISING CITY ATTORNEY

GARCELLE J. EMBRY
JOHN C. BLAIR
DEPUTY CITY ATTORNEYS

ATTORNEYS FOR THE
DEPARTMENT OF PENSIONS
AND

CITY EMPLOYEES' RETIREMENT SYSTEM

OFFICE OF
CITY ATTORNEY



JAMES K. HAHN
CITY ATTORNEY

PENSIONS DEPARTMENT

360 EAST 2ND STREET
SUITE 600
LOS ANGELES, CALIFORNIA 90012
TELEPHONE: (213) 485-4917

FACSIMILE: (213) 847-3529

REPORT NO. R 96 - 0460
DEC 13 1996

REPORT RE:

RECIPROCITY AGREEMENT WITH THE
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
ON BEHALF OF THE CITY EMPLOYEES'
RETIREMENT SYSTEM

The Honorable City Council
City Council, City of Los Angeles
Room 395, City Hall
Los Angeles, CA 90012

Honorable Members:

In 1974 this office advised the City Administrative Officer that the City could enter into a reciprocity agreement with the California Public Employees' Retirement System ("PERS") through joint action of the Board of Administration of the CERS and the City Council authorizing entry into the agreement. See Op. No. 74-169. The need for joint approval results from the Board's exclusive authority to manage the CERS under Art. XXXIV of the City Charter and the Council's power under Charter §35 to carry out the powers of the City except as otherwise provided in the Charter. One such power is the consummation of contracts such as this reciprocity agreement.

Therefore, City approval of this agreement occurs only if both the Council and the Board have approved it.

Very truly yours,
JAMES K. HAHN, City Attorney

By *Garcelle J. Embry*
GARCELLE J. EMBRY
Deputy City Attorney

By *John C. Blair*
JOHN C. BLAIR
Deputy City Attorney

GJE:JCB:th

CITY CLERK

'96 DEC 17 A9:38

CITY CLERK

BY _____ DEPT.

AGREEMENT FOR RECIPROCITY
BETWEEN THE CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
AND THE LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

This agreement is entered into between the State of California, acting through its California Public Employees' Retirement System ("PERS") (sometime referred to as "this system" or "this plan") or other public agencies maintaining independent retirement systems and the City of Los Angeles, acting through its City Council and Board of Administration of the City Employees' Retirement System ("CERS") (sometimes referred to as the "reciprocal system") for the purpose of extending to members of the CERS -- with similar reciprocal provisions being adopted into the CERS pursuant to California Government Code §§ 20351, 20353, 31840.2, and 45310.5 and by this contract agreeing to extend the benefits thereof to the PERS -- the following rights in the PERS, provided such member enters into employment under the PERS or CERS within six months of terminating his or her employment under either such system.

1. Notwithstanding any provisions of this plan or a reciprocal system plan in the matter of vesting, a member whose movement between systems occurs as herein specified shall have the right to elect to leave his or her accumulated contributions on deposit irrespective of the amount of such contributions or the length of service credited to him or her.

2. The age of entry for a person entering this system for purposes of fixing member contribution rates from a reciprocal system shall be his or her age at entry into such reciprocal system.

3. The average monthly salary during any period of service as a member of a reciprocal system shall be considered compensation earnable by a member of this system for purposes of computing final compensation for such member, provided he or she retires concurrently under both systems and is credited with such period of service under the reciprocal system at the time of retirement.

4. Service, solely for purposes of meeting minimum service qualifications for benefits and retirement allowances under this system, shall also include service rendered as an officer or employee of a reciprocal system if the salary for such service constitutes compensation earnable by a member of this system.

5. A member shall be retired for disability and receive a retirement allowance based on the service credited to him or her at the time of retirement during any period in which he

or she receives a disability retirement allowance under a reciprocal system; provided, that such allowance shall not exceed an amount which when added to the allowance paid under the reciprocal system equals the allowance which would be paid for a nonindustrial disability if all the member's service had been credited under the reciprocal system; and provided further, that such allowance shall in no event be less than an annuity which is the actuarial equivalent of the member's contributions, whether or not the disability is for industrial reasons.

6. The death benefit for a member who dies from nonindustrial causes as a member of a reciprocal system shall not exceed an amount which when added to the death benefit paid for such member under the reciprocal system equals the maximum death benefit payable under that system; provided, however, that such death benefit shall be at least the amount of the accumulated contributions; and, provided further, that if death is caused by industrial injury or disease in the reciprocal system the death benefit shall be the amount of the member's accumulated contributions.

7. The governing body of this system shall on the request of a reciprocal system supply information and data necessary for administration of such system as it is affected by membership in and service credited under this system.

8. Interpretation of these provisions shall be made with reference to interpretations that have been made relative to the Public Employees' Retirement System - 1937 Act County Employees' Retirement reciprocal provisions upon which they are based.

9. These provisions shall apply only to a member whose termination and entry into employment resulting in a change in membership from this system to such other system or from such other system to this system occurred after such acceptance by the Board of Administration of the PERS or after the effective date specified in the agreement; provided, however, that provisions relating to computation of final compensation shall apply to any other member if such provision would have applied had the termination and entry into employment occurred after such acceptance or determination by a system's governing board.

10. Rights under this system shall be modified as necessary to conform to amendments to the Public Employees' Retirement Law or the County Employees' Retirement Law of 1937 as provided in California Government Code § 20353.

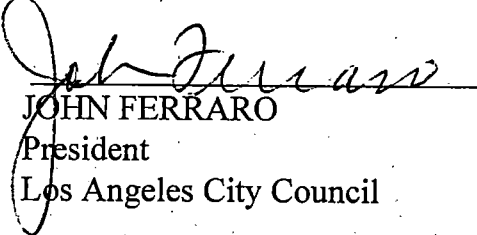
11. Approval of this agreement by the City shall require the concurrence of the City Council and the Board of Administration of the CERS and shall be evidenced by subscription to this agreement by the President of the City Council and the President of the Board of

Administration of the CERS.

BOARD OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

By _____
DIVISION CHIEF
ACTUARIAL & EMPLOYER SERVICES DIVISION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

CITY OF LOS ANGELES

By 
JOHN FERRARO
President
Los Angeles City Council

By _____
WILLIAM DOHENY
President
Board of Administration
City Employees' Retirement System

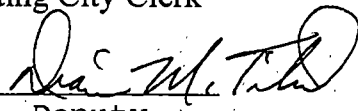
Approved as to form:

JAMES K. HAHN
City Attorney

By 

Attest:

J. MICHAEL CAREY
Acting City Clerk

By 
Deputy

ELIAS MARTINEZ
City Clerk

J. Michael Carey
Executive Officer

When making inquiries
relative to this matter
refer to File No.

CITY OF LOS ANGELES
CALIFORNIA



RICHARD J. RIORDAN
MAYOR

Office of
CITY CLERK
Council and Public Services
Room 395, City Hall
Los Angeles, CA 90012
Council File Information - (213) 485-5703
General Information - (213) 485-5705

Pat Healy
Chief Legislative Assistant

96-1422

October 4, 1996

All City Departments

RE: AMENDING DIVISION 4 OF THE LOS ANGELES ADMINISTRATIVE CODE BY
ADDING VARIOUS NEW SECTIONS TO CHAPTERS 10 AND 11, TO PROVIDE
FOR CHANGES IN BENEFITS PROVIDED BY THE CITY EMPLOYEES'
RETIREMENT SYSTEM.

At its meeting of October 1, 1996, the City Council adopted Ordinance No. 171305 which
provides for several changes in employee benefits provided by the City Employees'
Retirement System, including provisions related to early retirement. This ordinance was
published on October 2, 1996 and is effective on October 2, 1996.

Attached for your information is a copy of the adopted ordinance.

J. Michael Carey
J. MICHAEL CAREY
City Clerk

PLACE IN FILES

OCT - 7 1996

DEPUTY

[Signature]



Mayor's Time Stamp

TIME LIMIT FILES
ORDINANCES

City Clerk's Time Stamp

RECEIVED

'96 OCT -1 AM 1:21

FORTHWITH

DEPUTY MAYOR

FILED

CITY CLERK'S OFFICE

COUNCIL FILE NUMBER 96-1422

COUNCIL DISTRICT _____

COUNCIL APPROVAL DATE October 1, 1996

LAST DAY FOR MAYOR TO ACT OCT 10 1996

ORDINANCE TYPE: Ord of Intent Zoning X Personnel General

Improvement LAMC LAAC CU or Var Appeals - CPC No

SUBJECT MATTER: Amending Division 4 of the Los Angeles Administrative Code by adding various new sections to Chapters 10 and 11 thereof, so as to provide for changes in benefits provided by the City Employees' Retirement System.

RECOMMENDATIONS:

APPROVED

DISAPPROVED

PLANNING COMMISSION

DIRECTOR OF PLANNING

CITY ATTORNEY

X

CITY ADMINISTRATIVE OFFICER

X

BUDGET AND FINANCE COMMITTEE

X

DATE OF MAYOR APPROVAL, DEEMED APPROVED OR *VETO: OCT 01 1996

*VETOED ORDINANCES MUST BE ACCOMPANIED WITH OBJECTIONS IN WRITING PURSUANT TO CHARTER SEC. 29

(CITY CLERK USE ONLY PLEASE DO NOT WRITE BELOW THIS LINE)

DATE RECEIVED FROM MAYOR 10-1-96 ORDINANCE NO. 171305

DATE PUBLISHED 10-2-96 DATE POSTED _____ EFFECTIVE DATE 10-2-96

ORD OF INTENT: HEARING DATE _____ ASSESSMENT CONFIRMATION _____

RECEIVED
CITY CLERK'S OFFICE
96 OCT -1 PM 3:52

CITY CLERK
BY _____ DEPUTY

ORDINANCE NO. 171305

An ordinance amending Division 4 of the Los Angeles Administrative Code by adding various new sections to Chapters 10 and 11 thereof, so as to provide for changes in benefits provided by the City Employees' Retirement System.

THE PEOPLE OF THE CITY OF LOS ANGELES
DO ORDAIN AS FOLLOWS:

Section 1. Division 4 of the Los Angeles Administrative Code is hereby amended by adding Section 4.1044.4 to Chapter 10 thereof, to read as follows:

Sec. 4.1044.4. Survivorship Benefits Available to Domestic Partners.

A Qualified Domestic Partner shall be entitled to the benefits available to an eligible spouse as provided under Section 508.2 of the City Charter and Section 4.1054 of the Los Angeles Administrative Code.

"Qualified Domestic Partner" shall mean the partner of the eligible member with whom the following conditions are met:

(a) The partner with whom the eligible member shares a committed and mutually exclusive relationship in which there is joint responsibility for each other's welfare and financial obligations;

(b) The partner and the eligible member must have resided together in the same principal residence for at least 12 months and intend to do so indefinitely; and

(c) The partner and eligible member must be 18 years of age or older, unmarried and not blood relatives.

An Affidavit of Domestic Partnership must be on file with the City Employees' Retirement System at least one year before the member's retirement and at the time of the member's death for the domestic partner to be eligible for a continuance. The one year requirement for members who have an Affidavit of Domestic Partnership on file with the Personnel Department and file an Affidavit of Domestic Partnership with the City Employees' Retirement System on or before December 31, 1996, will begin on the date the Affidavit was accepted by the Personnel Department.

Sec. 2. Section 4.1054 of Division 4 of the Los Angeles Administrative Code is hereby amended to read as follows:

Sec. 4.1054. Duty Related and Non-Duty Related Deaths Creating Entitlement to Survivorship Benefits.

(a) Definitions.

As used in this section, the following words and phrases shall have the meaning ascribed to them in this paragraph unless a different meaning is clearly indicated by the context:

"Duty Related Death" shall mean the death of a member caused by illness or injury, either of which arose out of the performance of his or her duties as an employee of the City of Los Angeles.

"Non-Duty Related Death" shall mean a member's death which occurred due to illness or injury not arising out of the member's performance of his or her duties as an employee of the City of Los Angeles.

"Eligible Surviving Spouse" shall mean the widow or widower who was married to the member at the time of the member's death and who is entitled to be paid, against the claims or demands or any and all other persons thereto, the full amount of such member's accumulated contributions.

"A Domestic Partner" of a member as defined in Section 4.1044.4 at the time of the member's death and who is entitled to be paid, against the claims or demands or any and all other persons thereto, the full amount of such member's accumulated contributions, shall be entitled to the same benefits as an eligible surviving spouse.

(b) If a member, who at the time of Duty Related Death was not eligible for a disability retirement allowance pursuant to the provisions of Section 510 of the City Charter and Section 4.1055 of this chapter, leaves an eligible surviving spouse, the latter may elect to receive a monthly allowance equal to the disability retirement allowance benefit the member would have received, as provided in Section 4.1055 of this chapter, had he or she completed five years of continuous service and had he or she been eligible for a disability retirement and had retired under a disability retirement on the day preceding the date of death and elected to receive the benefit as computed under the provisions of Section 509 (1). In the event the member had completed less than twelve (12) months of service, the

salary for the missing months shall be at the rate for the first month of service to arrive at the compensation earnable.

(c) If, at the time of Duty Related Death or Non-Duty Related Death, a member would have been eligible to receive a disability retirement allowance pursuant to Section 510 of the City Charter and leaves an eligible surviving spouse, the latter may elect to receive a monthly allowance equal to the amount the deceased member would have been entitled to if he or she had been so retired on the day preceding his or her death and elected to provide a continuing benefit under the provisions of Section 509 (1).

(d) The one hundred percent (100%) disability survivorship allowance hereinabove provided in subsections (b) and (c) of this section shall consist of an annuity based upon the surviving spouse's age and the member's accumulated contributions, calculated in accordance with approved actuarial methods, supplemented by a pension to equal the remainder of the allowance so computed.

(e) If an eligible surviving spouse elects to receive the one hundred percent (100%) disability survivorship allowance hereinabove provided in subsections (b) and (c) of this section, such eligible surviving spouse shall thereby, upon the effective date of the allowance provided in this section, have no rights under the provisions of Section 511 of the City Charter, provided however, that said eligible spouse shall receive the benefits provided under the Family Death Benefit Insurance Plan, established in Section 511.1 of the City Charter if said spouse would otherwise have been entitled thereto.

(f) If the member or former member, whose contributions are on deposit at the time of his or her death, had completed five (5) or more years of continuous service with the City, notwithstanding the provisions of Section 508 B to the contrary, the surviving spouse shall have the option of waiting until such time as the member would have been entitled to elect a service retirement allowance and shall then receive an allowance equal to that which the member would have received had the member retired under the provisions of Section 509 (1) on the day first eligible to receive such benefit.

(g) The election by an eligible surviving spouse under the provisions of this section constitutes and includes a complete waiver of any right he or she may otherwise have to a refund of contributions made pursuant to the provisions of Section 508.2 of the City Charter.

(h) The Board of Administration, with respect to the determination of whether death of a member was attributable to Duty Related causes or Non-Duty Related causes, shall have the power to make such determination based upon such evidence as may be presented to it.

Sec. 3. Division 4 of the Los Angeles Administrative Code is hereby amended by adding Section 4.1056.2 to Chapter 10 thereof, to read as follows:

Sec. 4.1056.2. Computation of Allowance in Case of Early Retirement; Full Formula Retirement After 30 Years of Service and attainment of Age 55.

(a) Except as otherwise provided in paragraph (b) of this section, service retirement allowances computed as provided in Section 4.1022 of this Chapter shall, in case of early retirement, be modified by multiplying them by the factor set forth in the table below corresponding to a member's age taken to the completed quarter year.

**EARLY RETIREMENT REDUCTION FACTORS
FOR 2.16 PERCENT FORMULA AS MODIFIED
EQUIVALENT TO WATER AND POWER FACTORS**

45	0.6250	53	0.8650
45¼	0.6325	53¼	0.8725
45½	0.6400	53½	0.8800
45¾	0.6475	53¾	0.8875
46	0.6550	54	0.8950
46¼	0.6625	54¼	0.9025
46½	0.6700	54½	0.9100
46¾	0.6775	54¾	0.9175
47	0.6850	55	0.9250
47¼	0.6925	55¼	0.92875
47½	0.7000	55½	0.93250
47¾	0.7075	55¾	0.93625
48	0.7150	56	0.94000
48¼	0.7225	56¼	0.94375
48½	0.7300	56½	0.94750
48¾	0.7375	56¾	0.95125
49	0.7450	57	0.95500
49¼	0.7525	57¼	0.95875
49½	0.7600	57½	0.96250
49¾	0.7675	57¾	0.96625
50	0.7750	58	0.97000
50¼	0.7825	58¼	0.97375
50½	0.7900	58½	0.97750
50¾	0.7975	58¾	0.98125
51	0.8050	59	0.98500
51¼	0.8125	59¼	0.98875
51½	0.8200	59½	0.99250

51¾	0.8275	59¾	0.99625
52	0.8350	60 and above	1.00
52¼	0.8425		
52½	0.8500		
52¾	0.8575		

Service retirement allowances of members retiring after attaining age sixty (60) are not subject to reductions.

(b) Any member who has completed thirty (30) or more years of service and has attained the age of fifty-five (55) may elect to retire and be paid a retirement allowance which would be payable to such member had he or she attained age sixty (60) at the time of such retirement without any reduction of said allowance as otherwise provided in Paragraph (a) of this section.

(c) Notwithstanding subsection (b), from the effective date of the ordinance enacting this section until October 1, 1999, any member who has completed thirty (30) years of service and has attained the age of fifty (50) is eligible to retire without a reduction in the service retirement allowance. Retirement applications must be approved by the Board of Administration with an effective date no later than October 1, 1999.

Sec. 4. Division 4 of the Los Angeles Administrative Code is hereby amended by adding Section 4.1062 to Chapter 10 thereof, to read as follows:

Sec. 4.1062. Funeral Expense Allowance.

Subsection C of Section 511 of the Charter provides for the payment of the sum of \$500 upon the death of every member after retirement for the expense of burial. Upon the effective date of the ordinance enacting this section, the amount payable shall be the sum of \$2,500.

Sec. 5. Section 4.1103 of Division 4 of the Los Angeles Administrative Code is hereby amended by adding Subsection (g) to Chapter 11 thereof, to read as follows:

(g) Any member who retires pursuant to Section 4.1056.2(c) of the Los Angeles Administrative Code shall be eligible to receive the health insurance premium subsidy as provided under Section 4.1103 of the Los Angeles Administrative Code.

Sec. 6. Division 4 of the Los Angeles Administrative Code is hereby amended by adding Section 4.1103.3 to Chapter 11 thereof, to read as follows:

Sec. 4.1103.3. Surviving Spouse's Eligibility For Health Insurance Premium Subsidy.

(a) A surviving spouse of a deceased retired member shall be entitled to a health subsidy if at the time of the member's death the member was receiving the health subsidy.

If the retired member dies prior to receiving the health subsidy, the surviving spouse shall be eligible to receive a health subsidy upon the date when the member would have become eligible, as provided in Section 4.1103, to receive the health subsidy .

(b) The subsidy for a surviving spouse who is under age 65 shall be:

Basic Monthly Subsidy: For ten (10) years of the member's City service, as defined in Section 4.1001, 40% of the maximum monthly health subsidy amount established pursuant to the provisions of Paragraph (d) of this section.

Additional Monthly Subsidy: For more than ten (10) years of the member's City service as defined in Section 4.1001, add to the Basic Monthly Subsidy 4% of the maximum monthly health subsidy for each year of city service in excess of ten (10) years.

Maximum Monthly Subsidy: The Monthly Subsidy shall be the Kaiser single party premium for members without Medicare A & B.

(c) The health subsidy for a surviving spouse who is age 65 and older shall be:

For ten (10) years but less than fifteen (15) years of the member's City service, 75% of the single party premium for a retired member with Part A and B of Medicare in the plan in which the member is enrolled.

For fifteen (15) years but less than twenty (20) years of the member's City service, 90% of the single party premium for retired members with Part A and B Medicare in the plan in which the member is enrolled.

For twenty (20) years or more years of the member's City service, 100 % of the single party premium for retired members with Part A and B of Medicare in the plan in which the member is enrolled.

Maximum Monthly Subsidy: The monthly subsidy shall not exceed the Kaiser single party premium for retired members without Part A and B of Medicare.

(d) A surviving spouse who is age 65 and older must enroll in Medicare to the full extent of their entitlement.

(e) From the effective date of this ordinance through September 30, 1999, the health insurance subsidy for a surviving spouse shall be one-half of the formula as provided in subsections (b) and (c) above.

(f) This health insurance subsidy will be provided to: (1) surviving spouses of current active and retired members and (2) current surviving spouses of deceased members as of the effective date of this section.

Sec. 7. Division 4 of the Los Angeles Administrative Code is hereby amended by adding Section 4.1103.4 to Chapter 11 thereof, to read as follows:

Sec. 4.1103.4. Domestic Partner Eligibility for Health Insurance Premium Subsidy .

Domestic Partners who are provided a continuance pursuant to Section 4.1044.4 of the Los Angeles Administrative Code shall be entitled to the health insurance premium subsidy provided under Section 4.1103.3 of the Los Angeles Administrative Code.

Sec. 8. This ordinance shall become effective upon publication.

Sec. 9 The City Clerk shall certify to the passage of this ordinance and cause the same to be published in some daily newspaper printed and published in the City of Los Angeles.

I hereby certify that the foregoing ordinance was introduced at the meeting of the council of the City of Los Angeles, by a vote of not less than two-thirds of all of its members, at the meeting of AUG 30 1996 and was passed at its meeting of OCT 01 1996

Approved ~~OCT 01 1996~~ *rf* OCT 01 1996

J. MICHAEL CAREY
CITY CLERK

BY *[Signature]*

Deputy

Approved as to Form and Legality

August 5, 1996
JAMES K. HAHN, City Attorney,

By *[Signature]*
GARCELLE J. EMBRY, Deputy.

[Signature]
Mayor *CS*

File No. 96-1422

DRD
ADOPTED

OCT 01 1996

LOS ANGELES CITY COUNCIL

TO THE MAYOR FORTHWITH

OKD 2nd ready ^{CONS briefs} Adopted - ^{noted & Filed} Actuarial Presentation & Kats

+++++ TIME: +++++
AGENDA NO. 1 YES: 12 NO: 0 ABS: 3 10/01/96 10 24 00
ALARCON.....YES ALATORRE.....YES BERNSON.....YES BRAUDE.....YES
FEUER.....YES HERNANDEZ.....YES HOLDEN.....YES RIDLEY-THOMASYES
SVORINICH.....YES WACHS.....YES WALTERS.....YES FERRARO.....YES
CHICK.....ABS GALANTER.....ABS GOLDBERG.....ABS
+++++

Forthwith to Mayor — 2nd hearing closed —

LOS ANGELES CITY COUNCIL

OCT 01 1996

ADOPTED

ITEM SCHEDULED FOR PUBLIC HEARING

ITEM NO. ()

96-1422 - HEARING COMMENTS relative to ORDINANCE SECOND CONSIDERATION and PRESENTATION OF ACTUARIAL EVALUATION REPORTS to implement proposed changes in benefits paid by the City Employees Retirement System.

Recommendations for Council action:

1. NOTE and FILE Actuarial Evaluations relative to the cost of the benefit increases proposed in the subject ordinance.
2. ADOPT accompanying ORDINANCE (**second presentation**) in accordance with Charter Section 512.2, amending Division 4 of the Los Angeles Administrative Code by adding various new sections to Chapters 10 and 11 thereof, so as to provide for changes in benefits provided by the City Employees' Retirement System.

10 VOTES REQUIRED

[Pursuant to Council's adoption of Budget and Finance Committee report on August 30, 1996]

Description of Proposed Changes to CERS

1. **Continuation of health insurance subsidy equal to half Kaiser single party rate for three years then the full single party Kaiser rate for dependents after member's death**

✓ cost: 0.33% of payroll; \$3.3 million each year; \$55.9 million present value

1 rept
CERS provides a health subsidy benefit, beginning at age 55, to members who retire with at least ten years of service. The subsidy is prorated at 4% per year of City service (e.g. with 10 years it is 40%; with 25 years it is 100%). When the member dies, the surviving spouse may continue his/her coverage, but the subsidy ceases. The survivors must pay the full cost of the coverage. The proposal would continue a health subsidy, at half of the Kaiser single party rate, for the surviving spouse for the next three years; and the full single party Kaiser rate thereafter. Surviving spouses who have Medicare part "A" coverage will also be entitled to a Medicare reimbursement.

2. **Reduction of the early retirement penalty (use of DWP Factors)**

✓ cost: 0.19 % of payroll; approximately \$1.9 million first year; \$25.5 million present value

1 rept
Members who retire between 55 and 60 with less than thirty years of service and members who retire at less than 55 with thirty years of service have their benefits reduced. Those members over 55 have about a 3% per year reduction; under 55 about 4% per year. Members of the DWPERP in the same circumstances have a 1.5% reduction between 55 and 60, and a 3.5% reduction if they are under 55. CERS members would now be subject to the same discount as members of the DWPERP.

3. **Increase the death benefit payment from \$500 to \$2,500 (Burial Allowance)**

✓ cost: 0.08 % of payroll; approximately \$770,000 first year; \$14.1 million present value

1 rept
Upon the death of a retired member, CERS pays \$500 to the beneficiaries to defray funeral expenses. This proposal increases the benefit to \$2,500.

4. **Portability of retirement benefits**

N/A
being done later
cost: 0.4% of payroll; approximately \$4 million first year

Term limits mean that some City employees can, at most, stay eight years. It takes ten years to be eligible to obtain a retirement check at some future date. A plan could be developed that provides such persons the same amount of money the City would put into the retirement system for them, but set aside in an independent retirement account they can take with them when they leave City service. The City cost of this component of portability should be very small.

Further, both public and private employment tends to be shorter term than in the past. Retirement portability is an issue. A system could be set up to allow City employees to transfer their contributions and credits from other public service to the City retirement system. Where individuals participated in a non-contributory systems (i.e. they did not make employee contributions to the system) they would be required to contribute the same employee amount they would have if they were a City employee for the same service time. Public service means all local, state and federal government agencies including the military.

5. **Extension of pension benefits to domestic partners**

next
cost: 0.04% to 0.18% of payroll, \$370,000 to \$1.8 million first year cost; \$5.5 million to \$27.3 million present value

Domestic partners of members should have the same status as eligible spouses.

6. **Changes in the death benefit for active members ineligible to retire**

next
cost: 0.14% of payroll, approximately \$1.4 million first year; \$15.1 million present value.

Background: Upon the death of an employee not yet eligible to retire, the surviving spouse or dependents receive one of the following benefits:

- A. All survivors receive a 60% disability survivorship benefit which usually provides about 20% of the members' salary.
- B. Survivors of members who participated in the voluntary Family Death Benefit Insurance Plan (FDBIP) receive an amount originally intended to be similar to those provided to survivors under Social Security, but which has fallen short of this goal. The employee and the City contribute equal amounts to provide this benefit.
- C. Survivors of members who were eligible to retire may elect to receive a retirement amount based on years of service or the FDBIP benefit, but not both.

Proposal: Develop a benefit combining the active death benefit and the Family Death Benefit Insurance Plan to provide a more adequate benefit. A specific plan is still being developed, but it should include the following:

- A. Replacing the 60% disability survivorship benefit with a 100% continuance of the disability pension (30% of salary with a minimum of five years City service).
- B. Providing a surviving spouse the option of waiting for a regular service pension rather than taking the disability pension.

The FDBIP can also be restructured to emulate the Social Security benefit. Because this program is currently over funded, the cost to change the FDBIP should be minimal, if anything.

7. Reduce the minimum retirement age for members with 30 years of service for a three year period

Currently members must be age 55 with at least 30 years of service to receive unreduced retirement benefits. Pursuant to this agreement, members with 30 years of service who are at 50 years of age would be eligible to retire with unreduced retirement and health subsidy benefits. The benefit would be in effect for three years from the effective date of the ordinance implementing this benefit (window period). Retirement applications must be approved by the Board of Administration during the three year window period in order for the member to take advantage of this benefit. This short-term change will assist the City in its downsizing efforts.

2 next
cost: 0.13% of payroll; approximately \$1.3 million annually; \$19.2 present value.

8. Implementation

These changes are subject to legal and actuarial work to make sure the City retirement system remains in conformance with federal law. It is expected this work will take 90 to 180 days.



June 3, 1996

The Wyatt Company

Suite 700
 15303 Ventura Boulevard
 Sherman Oaks, CA 91403-3197
 Telephone 818 906 2631
 Fax 818 906 2097

Ms. Mary Higgins
 Office of the City Administrative Officer
 City of Los Angeles
 300 City Hall East
 Los Angeles, CA 90012-4190

RE: Continuation of Health Subsidy Benefits to Surviving Spouses at Kaiser rates

Dear Mary:

We have determined the cost impact of continuing health subsidies to eligible spouses after the death of current and future retirees under the City Employees' Retirement System (CERS). We have also determined the cost of allowing current surviving spouses to elect coverage for the health subsidies.

We have valued the beneficiaries subsidy as being the lesser of the retiree's subsidy and 100% of the Kaiser retiree-only rate. However, for the first 3 years, the subsidy has been limited to 50% of the Kaiser rate. The current monthly Kaiser retiree-only rates are as follows:

Under 65	\$217.76
Over 65	\$19.33

We have estimated the City's costs to increase as follows:

	Spouses of Future Retirees*	Spouses of Current Retirees	Current Surviving Spouses	Total
Increase in contributions, as percent of pay				
Normal Cost	0.019%	0.000%	0.000%	0.019%
Amortization of UAAL	<u>0.048%</u>	<u>0.026%</u>	<u>0.041%</u>	<u>0.115%</u>
Total increase in Contributions	0.067%	0.026%	0.041%	0.134%
Increase in Present Value of Benefits				
Dollars	\$6.4	\$5.5	\$8.7	\$20.6
Percent	1.3%	1.1%	1.7%	4.1%

(* Current Active Members)

Ms. Mary Higgins

June 3, 1996

Page 2

W

Though the limit to the subsidy will increase after three years, the additional cost beginning with the fourth year is not significant (less than 0.001%). The expected number of active Members who would retire and then die in the next three years is very small; the increase in cost shown in the preceding table reflects the long term increase.

If the City also picks up the beneficiary's Medicare Part B premium, then we estimate the total cost of both the subsidy and the Medicare premium to increase as follows:

	<u>Spouses of Future Retirees*</u>	<u>Spouses of Current Retirees</u>	<u>Current Surviving Spouses</u>	<u>Total</u>
Increase in contributions, as percent of pay				
Normal Cost	0.054%	0.000%	0.000%	0.054%
Amortization of UAAL	<u>0.099%</u>	<u>0.085%</u>	<u>0.089%</u>	<u>0.273%</u>
Total increase in Contributions	0.153%	0.085%	0.089%	0.327%
Increase in Present Value of Benefits				
Dollars	\$19.1	\$18.0	\$18.8	\$55.9
Percent	3.8%	3.5%	3.7%	11.0%

These figures reflect the full Medicare premium for all years. No cap was applied to this amount for years one through three.

Our calculations are based on actuarial assumptions and Member information as of June 30, 1995. As of that date, there were over 2,700 surviving spouses. In our calculations, we assumed that 70% of this group would elect health care coverage under CERS.

Ms. Mary Higgins
June 3, 1996
Page 3

W

Please call us if you have any questions.

Sincerely,

Sharon Peake
mc

Sharon A. Peake, FSA
Consulting Actuary

Judy C. Ocaya
FSA
Consulting Actuary

SAP, JCO:MC

p:\secr\hltsub2.ll

c: Oscar Peters, CERS
Lorraine Osuna, CERS



May 22, 1996

The Wyatt Company

Suite 700
15303 Ventura Boulevard
Sherman Oaks, CA 91403-3197
Telephone 818 906 2631
Fax 818 906 2097

Ms. Mary Higgins
Office of the City Administrative Officer
City of Los Angeles
300 City Hall East
Los Angeles, California 90012-4190

**RE: Early Retirement Reduction Factors
(Revision of March 12, 1996 letter to Oscar Peters)**

Dear Mary:

We have estimated the costs of changing the current early retirement reduction factors under the City Employees' Retirement System (CERS).

On the attached Exhibit I, we show the current early retirement reduction factors. If a Member retires after age 60, or after age 55 with 30 years of service, no reduction applies.

We considered the following possible change to these current factors:

Change to a schedule similar to the Water and Power Retirement System's schedule. Specifically, this means a reduction of 1.5% for each year of retirement before age 60, and 3.0% for each year before age 55. On the attached Exhibit II, we show this schedule of factors. We have kept the current CERS provision that no reduction applies for retirement after age 60 or after age 55 with 30 years of service.

This change enhances the current benefits, and thus, increase the City's costs. The table below shows the increase in costs.

	Increase In Cost
Contributions, As Percent of Payroll	
1. Increase in Normal Cost	0.12%
2. Increase in Amortization of the Unfunded Actuarial Accrued Liability (UAAL)	0.07%
3. Total Increase in City Contribution Rate	0.19%
Present Value of Benefits	
1. Dollar Increase in Present Value of Benefits	\$25.5 million
2. Percent Increase in Present Value of Benefits	0.47%

Ms. Mary Higgins
May 22, 1996
Page 2

W

Assuming a current payroll of \$1 billion, the annual cost increase is \$1.9 million. Note that the cost increase is relatively small, since under the current actuarial assumptions most Members are expected to retire with full benefits. The average expected retirement age under the current assumptions is age 62 for active Members at June 30, 1995.

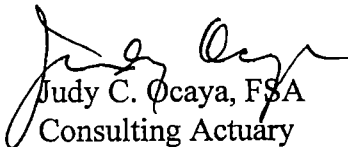
Some Members may decide to retire early once they are eligible to retire without any reduction in their retirement benefits. However, we do not expect significant changes in retirement behavior. With this plan change, the early retirement reductions are lessened, but not entirely removed. Thus, the increase in the City's costs under this scenario may be higher than the 0.19% shown on the table. The magnitude will depend on the extent to which this changes retirement behavior.

Please let us know if you have any questions.

Sincerely,



Sharon A. Peake, FSA
Consulting Actuary



Judy C. Ocaya, FSA
Consulting Actuary

JCO:SAP:MC

c: Oscar Peters, CERS
Lorraine Osuna, CERS

p\acers\er-redct.lt2

EXHIBIT I**EARLY RETIREMENT REDUCTION FACTORS
CURRENT PROVISIONS**

Age at Retirement	Proportion of Earned Benefits Payable	Age at Retirement	Proportion of Earned Benefits Payable
45	.44444	53	.74074
46	.48148	54	.77778
47	.51852	55	.85185
48	.55556	56	.87963
49	.59259	57	.90741
50	.62963	58	.93519
51	.66667	59	.96296
52	.70370	60 and above	1.00000

EXHIBIT II**EARLY RETIREMENT REDUCTION FACTORS
1.5%/3.5%**

Age at Retirement	Proportion of Earned Benefits Payable	Age at Retirement	Proportion of Earned Benefits Payable
45	.625	53	.865
46	.655	54	.895
47	.685	55	.925
48	.715	56	.940
49	.745	57	.955
50	.775	58	.970
51	.805	59	.985
52	.835	60	1.000



May 22, 1996

The Wyatt Company

Suite 700
15303 Ventura Boulevard
Sherman Oaks, CA 91403-3197
Telephone 818 906 2631
Fax 818 906 2097

Ms. Mary Higgins
Office of the City Administrative Officer
City of Los Angeles
300 City Hall East
Los Angeles, CA 90012-4190

RE: CERS - \$500 Death Benefit

Dear Mary:

Under the current provisions of the City Employees' Retirement System (CERS), a \$500 benefit is provided for burial expenses upon the death of a retired Member.

As requested, we have determined the impact on City costs if this benefit is increased to \$2,500.

Increase In Contribution As Percent of Payroll

	<u>Future Retirees*</u>	<u>Current Retirees</u>	<u>Total</u>
• Increase in Normal Cost	0.014%	—	0.014%
• Amortization of Increase in Unfunded Actuarial Accrued Liability	0.013%	.050%	0.063%
• Total Increase in City Contributions	0.027%	.050%	0.077%

Increase In Present Value of Benefits

	<u>Future Retirees*</u>	<u>Current Retirees</u>	<u>Total</u>
• Dollar Increase	\$3.2 million	\$10.8 million	\$14.1 million
• Percent Increase	.06%	.2%	.26%

(* Current Active Members)

The amortization of the increase in Unfunded Actuarial Accrued Liability shown above reflects a 30-year amortization period. Our calculations are based on the actuarial assumptions and Member information as of June 30, 1995.

Ms. Mary Higgins
May 22, 1996
Page 2

W

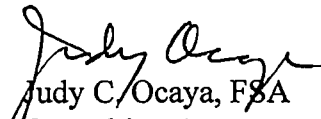
This plan change does not have any IRC Section 415 (limitation on benefits) implications.

Please let us know if you have any questions.

Sincerely,



Sharon A. Peake, FSA
Consulting Actuary



Judy C. Ocaya, FSA
Consulting Actuary

SAP, JCO:MC

p:\acers\500db.ltr

c: Oscar Peters, CERS
Lorraine Osuna, CERS



May 22, 1996

The Wyatt Company

Suite 700
15303 Ventura Boulevard
Sherman Oaks, CA 91403-3197
Telephone 818 906 2631
Fax 818 906 2097

Ms. Mary Higgins
Office of the City Administrative Officer
City of Los Angeles
300 City Hall East
Los Angeles, CA 90012-4190

RE: CERS - Coverage of Domestic Partners

Dear Mary:

Spouses of married Members are covered for pensions and health subsidy benefits under the current provisions of the City Employees' Retirement System (CERS). As requested, we have estimated the change in City contributions if coverage for the same benefits is extended to domestic partners.

Your office has provided us counts of Domestic Partner Affidavits on file. The statistics we received indicate that about 1.2% of current active Members have domestic partners. If CERS is modified to provide benefits to domestic partners, it is possible that the number of affidavits on file would increase.

The magnitude of the increase is difficult to anticipate. Thus, as discussed with Bee Campbell of your staff, we performed our study by increasing our "spousal coverage" assumptions by 1% and by 5%.

That is, our current assumptions are that 75% of male Members and 55% of female Members have spouses who are eligible for pension benefits. To reflect domestic partners, we increased these percentages to 76%/56% and to 80%/60%.

For health subsidy benefits, our current assumptions are that 90% of male Members and 65% of female Members who will receive a subsidy will elect spousal coverage. To reflect domestic partners, we increased these percentages to 91%/66% and to 95%/70%.

We show in the following tables the impact of these changes on City contributions. Note that the results are almost linear (except for rounding), i.e., the impact of a 5% increase in "spousal" coverage is about 5 times the impact of a 1% increase. Thus, the "1%" numbers may be used to develop the cost impact whatever the actual percentage of domestic partners would submit affidavits.



	Increase in Contributions as Percent of Payroll		
	Pensions	Health Subsidies	Total
<i>1% Increase in "Spousal" Coverage</i>			
• Increase in Normal Cost	0.020%	0.001%	0.021%
• Amortization of Increase in Unfunded Actuarial Accrued Liability	<u>0.015%</u>	<u>0.001%</u>	<u>0.016%</u>
• Total Increase in City Contributions	0.035%	0.002%	0.037%
<i>5% Increase in "Spousal Coverage"</i>			
• Increase in Normal Cost	0.101%	0.003%	0.104%
• Amortization of Increase in Unfunded Actuarial Accrued Liability	<u>0.074%</u>	<u>0.004%</u>	<u>0.078%</u>
• Total Increase in City Contributions	0.175%	0.007%	0.182%

The amortizations of the increases in Unfunded Actuarial Accrued Liability shown above reflect a 30-year amortization period.

The increase in the present value of benefits are as follows:

	Percent Increases		
	Pensions	Health Subsidies	Total
<i>1% Increase in "Spousal" Coverage</i>	0.10%	0.04%	0.09%
<i>5% Increase in "Spousal" Coverage</i>	0.49%	0.19%	0.46%

	Dollar Increases (In Millions)		
	Pensions	Health Subsidies	Total
<i>1% Increase in "Spousal" Coverage</i>	\$5.3	\$0.2	\$5.5
<i>5% Increase in "Spousal" Coverage</i>	\$26.3	\$1.0	\$27.3

Our calculations are based on the actuarial assumptions and Member information as of June 30, 1995.

This plan change does not alter the application of IRC Section 415 (limitation on benefits) on CERS.

Ms. Mary Higgins
May 22, 1996
Page 3


W

Please let us know if you have any questions.

Sincerely,



Sharon A. Peake, FSA
Consulting Actuary



Judy C. Ocaya, FSA
Consulting Actuary

SAP, JCO:MC

c: Oscar Peters, CERS
Lorraine Osuna, CERS

p\lacers\dompart.ltr



May 21, 1996

The Wyatt Company

Suite 700
15303 Ventura Boulevard
Sherman Oaks, CA 91403-3197
Telephone 818 906 2631
Fax 818 906 2097

Ms. Mary Higgins
Office of the City Administrative Officer
City of Los Angeles
300 City Hall East
Los Angeles, CA 90012-4190

RE: Death Benefit Enhancement Cost Calculations

Dear Mary:

As you have requested, we have calculated the cost impact of changing the current death benefits provided under the City Employees' Retirement System (CERS). The changes we have valued are as follows:

- Option A: Provide death benefits to Members eligible for a disability retirement benefit equal to 100% of the service retirement benefit payable at the earliest retirement age with the applicable early retirement reductions.
- Option B: Provide death benefits to Members eligible for a disability retirement benefit equal to 100% of the service retirement benefit payable at the earliest retirement age the participant would be eligible for an unreduced benefit.
- Option C: Provide death benefits to Members eligible for a disability retirement benefit equal to 100% of the service retirement benefit payable at the earliest retirement age with no early retirement reductions.
- Option D: Provide death benefits to Members eligible for a disability retirement benefit equal to 100% of the disability retirement benefit payable immediately. The current provisions provide for 60% of this benefit.

In conducting our analysis we have determined that almost all survivors of participants who die with less than 5 years of service are better off under the current provisions of the plan. As a result, there is little impact on the contribution for these employees. Therefore, in this letter we will only provide the cost impact of changing the death benefits for employees who are eligible for a disability retirement benefit.

Additionally, survivors of participants eligible for a disability retirement benefit are generally better off receiving the disability benefit, than getting 50% of the service retirement benefit. As a result, there is little impact on the contribution for this provision.



Ms. Mary Higgins
May 21, 1996
Page 2

Option	Increase in City Contribution as a Percent of Total Payroll			Increase in Present Value of Benefits	
	Normal Cost	Amortization of UAAL	Total Cost	Dollars (In Millions)	Percent
Option A	.013%	.009%	.022%	\$ 3.0	.055%
Option B	.007	.005	.012	\$ 1.6	.031
Option C	.025	.018	.043	\$ 5.8	.108
Option D	.090	.041	.131	\$13.5	.251

The above amounts provide the 100% continuance benefit to the surviving spouse for "free". That is, Members contribute during their careers to provide for an unreduced 50% continuance. There would be additional costs for an unreduced 100% continuance benefit. We did not apply any reductions in our calculations. If you did want to charge the participants for this coverage, the above costs would be reduced by approximately 6%.

We did not consider any changes in Family Death Benefit Plan coverage in these figures.

The increases in the Unfunded Actuarial Accrued Liability (UAAL) were amortized as a level percent of payroll over 30 years.

Please call us if you have any questions.

Sincerely,

Sharon A. Peake, FSA
Consulting Actuary

Judy C. Ocaya, FSA
Consulting Actuary

c: Oscar Peters, CERS
Lorraine Osuna, CERS



June 20, 1996

The Wyatt Company

Suite 700
15303 Ventura Boulevard
Sherman Oaks, CA 91403-3197
Telephone 818 906 2631
Fax 818 906 2097

Ms. Mary Higgins
Office of the City Administrative Officer
City of Los Angeles
300 City Hall East
Los Angeles, California 90012-4190

**RE: 30-And-Out Enhanced Retirement Benefits
Window Period Only**

Dear Mary:

As requested, we have determined the cost impact of amending the City Employees' Retirement System (CERS) to allow for an unreduced early retirement benefit at 30 years of service, subject to a revised eligibility age, and only for one-year, two-year, or three-year window periods.

Currently, employees with 30 years of service are eligible for an unreduced retirement benefit at age 55. We have performed our study using an age 50 eligibility. With the additional time available, we have also been able to review and revise prior window calculations which did not reflect any age requirement. The prior results were overstated.

We have determined the costs under the assumption that 25% of those who will be eligible for this provision will retire during the window period. Only employees who would be affected by this plan change are assumed to retire earlier. An employee who gets 30 years of service after age 55 is not assumed to retire earlier than currently assumed.

The cost increases are summarized below:

	30 & Out 1-Yr. Window	Age 50/ 30 & Out 1-Yr. Window	Age 50/ 30 & Out 2-Yr. Window	Age 50/ 30 & Out 3-Yr. Window
Increase in Contributions, as Percent of Pay				
Normal Cost	-0.05%	-0.05%	-0.04%	-0.03
Amortization of UAAL	<u>0.05%</u>	<u>0.04%</u>	<u>0.06%</u>	<u>0.08</u>
Total Increase in Contribution	0.00%	-0.01%	0.02%	0.05
Increase in Present Value of Benefits				
Dollars (In Millions)	\$5.4	\$5.1	\$6.8	\$9.0
Percent	0.10%	0.09%	0.13%	0.17

Ms. Mary Higgins
June 20, 1996
Page 2



Note that with early retirement, there will be no future pension accruals, i.e., no Normal Costs. Because the window periods are short, the value of the lost accruals is greater than the benefit enhancements. Thus, there will be reductions in total normal costs *but only for the duration of the window period*. Thus, for example, under the two-year window period, the increase in contributions for the first two years is only 0.02% of payroll. Beginning with the third year, the increase will be 0.06% of payroll.

You have also requested the cost impact of an 18-month window period, for the 30-and-out with an age 50 requirement. We estimate that cost impact would be halfway between those of the one-year and two-year window periods.

Please let us know if you have any questions.

Sincerely,

Sharon A. Peake, FSA
Consulting Actuary

Judy C. Ocaya, FSA
Consulting Actuary

JCO:EAM

c: Oscar Peters, CERS
Lorraine Osuna, CERS
p:\acers>window.ltr



The Wyatt Company

Suite 700
15303 Ventura Boulevard
Sherman Oaks, CA 91403-3197
Telephone 818 906 2631
Fax 818 906 2097

May 22, 1996

Ms. Mary Higgins
Office of the City Administrative Officer
City of Los Angeles
300 City Hall East
Los Angeles, CA 90012-4190

RE: 30-And-Out Health Subsidy Cost Calculations

Dear Mary:

We have determined the cost impact of providing health subsidies to employees who retire with at least 30 years of service, regardless of age.

Under the current actuarial valuation assumptions, we have estimated that the contribution as a percent of payroll would increase by 0.031% with this plan change. The Present Value of Benefits would increase by \$ 5.2 million, or 1.0%.

If this plan provision will only be available during the fiscal year 1996-97 (i.e., only for a "window" period), the increase in contribution would be .001%. The increase in the Present Value of Benefits would be \$0.1 million, or 0.02%.

This plan change may cause changes in retirement behavior. You have asked us to perform the following additional cost calculations:

1. assuming 25% or 100% of those who would have 30 years of service (but less than age 55) will retire immediately,
2. assuming this 30-and-out provision is only available during 1996-97 "window" period, and considering that either 25% or 100% of the affected Members will retire immediately.



The results of our calculations are as follows:

<u>Not a "Window" Period</u>	<u>25% Retirement</u>	<u>100% Retirement</u>
Increase in Contributions, as Percent of Pay		
Normal Cost	0.098%	0.390%
Amortization of UAAL	0.104%	0.414%
Total Increase in Contributions	0.202%	0.804%
Increase in Present Value of Benefits		
Dollars	\$28.7 million	\$115.0 million
Percent	5.65%	22.6%
 <u>Window Period Only</u>		
Increase in Contributions, as Percent of Pay		
Normal Cost	0.000%	0.000%
Amortization of UAAL	0.003%	0.011%
Total Increase in Contributions	0.003%	0.011%
Increase in Present Value of Benefits		
Dollars	\$0.6 million	\$2.4 million
Percent	0.12%	0.47%

The increases in the Unfunded Actuarial Accrued Liability were amortized over 30 years.

Accelerating the incidence of retirement and allowing commencement of benefits before age 55 (the age when subsidies commence under current provisions) increases the period of coverage before age 65. Pre-65 health premium subsidies are at least twice the subsidies post-65. Thus, earlier commencement of benefits could lead to significant increases in the City's costs.

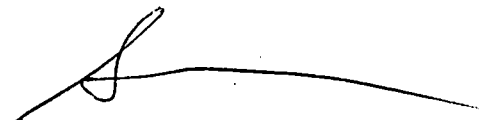
There would be no Section 415 impact due to this plan change.

Ms. Mary Higgins
May 22, 1996
Page 3

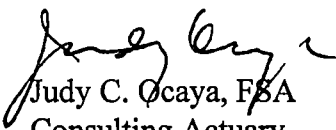
W

Please call us if you have any questions.

Sincerely,



Sharon A. Peake, FSA
Consulting Actuary



Judy C. Ocaya, FSA
Consulting Actuary

SAP, JCO:MC

c: Oscar Peters, CERS
Lorraine Osuna, CERS

p:\acers\30-out.ltr

3

BUDGET AND FINANCE COMMITTEE
~~Report~~/Communication for Signature

Council File Number 96-1422

Committee Meeting Date 10-21

Council Date 10-31

COMMITTEE MEMBER	YES	NO	ABSENT
COUNCILMEMBER ALATORRE, Chair	/		
COUNCILMEMBER WALTERS			/
COUNCILMEMBER FEUER			/

Remarks eliminate phase in period
for cont. health subsidy benefits

Adrienne Bass, Legislative Assistant ♦♦♦♦ Telephone 237-0379

for
surviving
spouses

25
BUDGET AND FINANCE COMMITTEE
Report/~~Communication~~ for Signature

Council File Number

96-1422

Committee Meeting Date

8-6-96

Council Date

8-30-96

COMMITTEE MEMBER	YES	NO	ABSENT
COUNCILMEMBER ALATORRE, Chair	✓		
COUNCILMEMBER FEUER	✓		
COUNCILMEMBER WALTERS 9/4	✓		

Remarks

CERS benefits

Approve CAO Recs

Konrad Carter, Legislative Assistant ♦♦♦♦ Telephone 485-4467

TO THE COUNCIL OF THE
CITY OF LOS ANGELES

Your

BUDGET AND FINANCE

Committee

reports as follows:

Public Comments: Yes No
 X

BUDGET AND FINANCE COMMITTEE REPORT and ORDINANCE relative to changes in the benefits provided by the City Employees' Retirement System (CERS).

Recommendations for Council action, as recommended by the City Administrative Officer (CAO):

1. **APPROVE** the Letter of Agreement between the City and affected bargaining representatives (Attachment "B" to the July 19, 1996, CAO report) authorizing various enhancements in benefits paid by the CERS.

2. **PRESENT and ADOPT** accompanying **ORDINANCE** amending Division 4 of the Los Angeles Administrative Code by adding various new sections to Chapters 10 and 11 thereof, so as to provide for changes in benefits provided by the City Employees' Retirement System.
[Ordinance to be considered again on second presentation at a public hearing scheduled before Council on October 1, 1996, as required by Charter Section 512.2]

3. **HOLD** a public hearing before the full City Council to consider the proposed changes in benefits paid by the CERS 30 days after the implementing ordinance is presented to Council; and to further present the actuarial evaluation relative to the cost of the benefit increases proposed in the subject ordinance to be submitted, in writing, at the October 1, 1996, public hearing, pursuant to Section 512.2 of the Charter.

Fiscal Impact Statement: None submitted. Neither the City Administrative Officer nor the Chief Legislative Analyst has completed a financial analysis of this report.

[Personnel Committee has waived consideration of the above matter]

SUMMARY:

In his report dated July 19, 1996, the CAO states that the CERS is nearing a fully funded status. As a result City contributions are anticipated to drop \$35 million annually in 1996-97. Better than expected investment returns are anticipated to reduce the City's contribution by another \$20 million in 1997-98 for a total of \$55 million annually thereafter. On June 18, 1996, in recognition of this situation, the City Council approved a list of retirement program updates after mandatory meet and confer sessions

TO THE COUNCIL OF THE
CITY OF LOS ANGELES

Your

BUDGET AND FINANCE

Committee

reports as follows:

with our employee organizations. These changes will reduce the 1997-98 \$55 million savings by \$14 million.

Accompanying this report is the final fact sheet on the changes and a tentative Letter of Agreement with the employee organizations. The accompanying ordinance is necessary to implement the proposed changes and requires a two-thirds vote of the Council. This ordinance cannot be finally adopted until 30 days after its first presentation to the Council and a public hearing has been held.

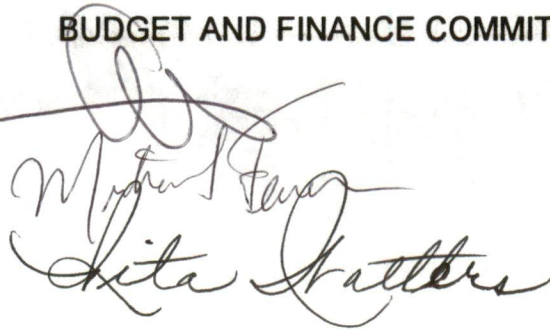
At its meeting of August 6, 1996, the Budget and Finance Committee concurred in the recommendations of the City Administrative Officer and submits this matter for Council consideration.

Respectfully submitted,

BUDGET AND FINANCE COMMITTEE

KC:amm
8/27/96
Enc: Ordinance
#961456

#961422



Rept.
ADOPTED

AUG 30 1996

LOS ANGELES CITY COUNCIL

*ORD. OVER TO OCT. 1, 1996
pursuant to Charter Sect. 512.2*

B&F Comte Rept. Adopted - ORD WER TO 10-1-96

+++++				+++++				+++++				+++++				+++++							
AGENDA NO. 25				YES: 10				NO: 0				ABS: 5				06/30/96				TIME:			
ALARCON.....YES				BRAUDE.....YES				CHICK.....YES				FEUER.....YES				10 51 00							
GALANTER.....YES				GOLDBERG.....YES				HOLDEN.....YES				RIDLEY-THOMASYES											
WACHS.....YES				FERRARO.....YES				ALATORRE.....ABS				BERNSON.....ABS											
HERNANDEZ.....ABS				SVORINICH.....ABS				WALTERS.....ABS															
+++++				+++++				+++++				+++++				+++++							

[Handwritten signature]

Petitioner(s)/communicant(s) _____

Council office(s) _____

Mayor

✓ City Administrative Officer

✓ City Attorney

✓ Chief Legislative Analyst

✓ Controller

✓ Treasurer

✓ CERS

Aging

Airports

Animal Regulation

Building & Safety

City Clerk, Calendar Sec.

City Clerk, Admin. Svcs.

City Clerk, Tax & Permit

City Clerk, Exec. Ofcr.

Community Development Dept.

Convention Center Dept.

Cultural Affairs

Environmental Affairs

Ethics Commission

Fire Dept. / Commission

General Services

Harbor

ISD

Library

Personnel

Planning

Police Dept. / Commission

Board of Public Works

PW - Bur. of Accounting

PW - Bur. of Engineering

cc: Sheryl Moore, Work Order Sect., Stop 490

PW - Bur. of Sanitation

PW - Bur. of Street Maint.

PW - Bur. of Street Lighting

PW - Management/Employee Svcs

Recreation & Parks

Telecommunications

Transportation

Water & Power

Dept. _____

Dept. _____



JAMES K. HAHN
CITY ATTORNEY

Office of the City Attorney
Los Angeles, California

96-1422
WRITER'S DIRECT DIAL:

FAX:

TTY:

REPORT NO. **R96-0305**
AUG 5 1996

REPORT RE:

**DRAFT ORDINANCE AMENDING DIVISION 4
OF THE L.A.A.C. BY ADDING VARIOUS NEW SECTIONS
TO CHAPTERS 10 AND 11 THEREOF TO IMPLEMENT
CHANGES REFLECTED IN THE LETTER OF AGREEMENT REGARDING
BENEFITS PROVIDED BY THE CITY EMPLOYEES' RETIREMENT SYSTEM**

The Honorable City Council
City of Los Angeles
Room 395, City Hall
Los Angeles, California 90012

Honorable Members:

This office has prepared a draft of a proposed ordinance to amend the Los Angeles Administrative Code. The proposed ordinance implements the changes in benefits to the City Employees' Retirement System as set forth in the Letter of Agreement between the City of Los Angeles and the affected bargaining units.

The ordinance may be adopted by the City Council pursuant to the provisions of Section 512.2 of the City Charter subject to the following requirements:

“(a) Ordinances adopted pursuant to this section must be approved by not less than two-thirds of the membership of the Council, subject to the veto of the Mayor and readoption by the Council in the same manner as other ordinances requiring a two-thirds vote. No such ordinance may be finally adopted by the Council until the expiration of at least thirty days after its first presentation to the Council, nor until after a public hearing has been held thereon.”

AN EQUAL EMPLOYMENT OPPORTUNITY — AFFIRMATIVE ACTION EMPLOYER

1800 CITY HALL EAST • 200 N. MAIN STREET • LOS ANGELES, CA 90012-4131 • (213) 485-6370

Recyclable and made from recycled waste. 

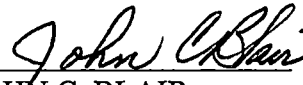
The Honorable City Council
Page 2

Section 512.2 of the Charter provides that as a further condition to the final adoption of the proposed ordinance, an enrolled actuary must advise the Council, in writing, of the cost of the benefit increases.

Very truly yours,

JAMES K. HAHN, City Attorney

By 
GARCELLE J. EMBRY
Deputy City Attorney

By 
JOHN C. BLAIR
Deputy City Attorney

GJE:JCB:bc
Attachments

(213) 485-4917

ORDINANCE NO. _____

An ordinance amending Division 4 of the Los Angeles Administrative Code by adding various new sections to Chapters 10 and 11 thereof, so as to provide for changes in benefits provided by the City Employees' Retirement System.

THE PEOPLE OF THE CITY OF LOS ANGELES
DO ORDAIN AS FOLLOWS:

Section 1. Division 4 of the Los Angeles Administrative Code is hereby amended by adding Section 4.1044.4 to Chapter 10 thereof, to read as follows:

Sec. 4.1044.4. Survivorship Benefits Available to Domestic Partners.

A Qualified Domestic Partner shall be entitled to the benefits available to an eligible spouse as provided under Section 508.2 of the City Charter and Section 4.1054 of the Los Angeles Administrative Code.

"Qualified Domestic Partner" shall mean the partner of the eligible member with whom the following conditions are met:

- (a) The partner with whom the eligible member shares a committed and mutually exclusive relationship in which there is joint responsibility for each other's welfare and financial obligations;
- (b) The partner and the eligible member must have resided together in the same principal residence for at least 12 months and intend to do so indefinitely; and
- (c) The partner and eligible member must be 18 years of age or older, unmarried and not blood relatives.

An Affidavit of Domestic Partnership must be on file with the City Employees' Retirement System at least one year before the member's retirement and at the time of the member's death for the domestic partner to be eligible for a continuance. The one year requirement for members who have an Affidavit of Domestic Partnership on file with the Personnel Department and file an Affidavit of Domestic Partnership with the City Employees' Retirement System on or before December 31, 1996, will begin on the date the Affidavit was accepted by the Personnel Department.

Sec. 2. Section 4.1054 of Division 4 of the Los Angeles Administrative Code is hereby amended to read as follows:

Sec. 4.1054. Duty Related and Non-Duty Related Deaths Creating Entitlement to Survivorship Benefits.

(a) Definitions.

As used in this section, the following words and phrases shall have the meaning ascribed to them in this paragraph unless a different meaning is clearly indicated by the context:

"Duty Related Death" shall mean the death of a member caused by illness or injury, either of which arose out of the performance of his or her duties as an employee of the City of Los Angeles.

"Non-Duty Related Death" shall mean a member's death which occurred due to illness or injury not arising out of the member's performance of his or her duties as an employee of the City of Los Angeles.

"Eligible Surviving Spouse" shall mean the widow or widower who was married to the member at the time of the member's death and who is entitled to be paid, against the claims or demands or any and all other persons thereto, the full amount of such member's accumulated contributions.

"A Domestic Partner" of a member as defined in Section 4.1044.4 at the time of the member's death and who is entitled to be paid, against the claims or demands or any and all other persons thereto, the full amount of such member's accumulated contributions, shall be entitled to the same benefits as an eligible surviving spouse.

(b) If a member, who at the time of Duty Related Death was not eligible for a disability retirement allowance pursuant to the provisions of Section 510 of the City Charter and Section 4.1055 of this chapter, leaves an eligible surviving spouse, the latter may elect to receive a monthly allowance equal to the disability retirement allowance benefit the member would have received, as provided in Section 4.1055 of this chapter, had he or she completed five years of continuous service and had he or she been eligible for a disability retirement and had retired under a disability retirement on the day preceding the date of death and elected to receive the benefit as computed under the provisions of Section 509 (1). In the event the member had completed less than twelve (12) months of service, the

salary for the missing months shall be at the rate for the first month of service to arrive at the compensation earnable.

(c) If, at the time of Duty Related Death or Non-Duty Related Death, a member would have been eligible to receive a disability retirement allowance pursuant to Section 510 of the City Charter and leaves an eligible surviving spouse, the latter may elect to receive a monthly allowance equal to the amount the deceased member would have been entitled to if he or she had been so retired on the day preceding his or her death and elected to provide a continuing benefit under the provisions of Section 509 (1).

(d) The one hundred percent (100%) disability survivorship allowance hereinabove provided in subsections (b) and (c) of this section shall consist of an annuity based upon the surviving spouse's age and the member's accumulated contributions, calculated in accordance with approved actuarial methods, supplemented by a pension to equal the remainder of the allowance so computed.

(e) If an eligible surviving spouse elects to receive the one hundred percent (100%) disability survivorship allowance hereinabove provided in subsections (b) and (c) of this section, such eligible surviving spouse shall thereby, upon the effective date of the allowance provided in this section, have no rights under the provisions of Section 511 of the City Charter, provided however, that said eligible spouse shall receive the benefits provided under the Family Death Benefit Insurance Plan, established in Section 511.1 of the City Charter if said spouse would otherwise have been entitled thereto.

(f) If the member or former member, whose contributions are on deposit at the time of his or her death, had completed five (5) or more years of continuous service with the City, notwithstanding the provisions of Section 508 B to the contrary, the surviving spouse shall have the option of waiting until such time as the member would have been entitled to elect a service retirement allowance and shall then receive an allowance equal to that which the member would have received had the member retired under the provisions of Section 509 (1) on the day first eligible to receive such benefit.

(g) The election by an eligible surviving spouse under the provisions of this section constitutes and includes a complete waiver of any right he or she may otherwise have to a refund of contributions made pursuant to the provisions of Section 508.2 of the City Charter.

(h) The Board of Administration, with respect to the determination of whether death of a member was attributable to Duty Related causes or Non-Duty Related causes, shall have the power to make such determination based upon such evidence as may be presented to it.

Sec. 3. Division 4 of the Los Angeles Administrative Code is hereby amended by adding Section 4.1056.2 to Chapter 10 thereof, to read as follows:

Sec. 4.1056.2. Computation of Allowance in Case of Early Retirement; Full Formula Retirement After 30 Years of Service and attainment of Age 55.

(a) Except as otherwise provided in paragraph (b) of this section, service retirement allowances computed as provided in Section 4.1022 of this Chapter shall, in case of early retirement, be modified by multiplying them by the factor set forth in the table below corresponding to a member's age taken to the completed quarter year.

**EARLY RETIREMENT REDUCTION FACTORS
FOR 2.16 PERCENT FORMULA AS MODIFIED
EQUIVALENT TO WATER AND POWER FACTORS**

45	0.6250	53	0.8650
45¼	0.6325	53¼	0.8725
45½	0.6400	53½	0.8800
45¾	0.6475	53¾	0.8875
46	0.6550	54	0.8950
46¼	0.6625	54¼	0.9025
46½	0.6700	54½	0.9100
46¾	0.6775	54¾	0.9175
47	0.6850	55	0.9250
47¼	0.6925	55¼	0.92875
47½	0.7000	55½	0.93250
47¾	0.7075	55¾	0.93625
48	0.7150	56	0.94000
48¼	0.7225	56¼	0.94375
48½	0.7300	56½	0.94750
48¾	0.7375	56¾	0.95125
49	0.7450	57	0.95500
49¼	0.7525	57¼	0.95875
49½	0.7600	57½	0.96250
49¾	0.7675	57¾	0.96625
50	0.7750	58	0.97000
50¼	0.7825	58¼	0.97375
50½	0.7900	58½	0.97750
50¾	0.7975	58¾	0.98125
51	0.8050	59	0.98500
51¼	0.8125	59¼	0.98875
51½	0.8200	59½	0.99250

51¾	0.8275	59¾	0.99625
52	0.8350	60 and above	1.00
52¼	0.8425		
52½	0.8500		
52¾	0.8575		

Service retirement allowances of members retiring after attaining age sixty (60) are not subject to reductions.

(b) Any member who has completed thirty (30) or more years of service and has attained the age of fifty-five (55) may elect to retire and be paid a retirement allowance which would be payable to such member had he or she attained age sixty (60) at the time of such retirement without any reduction of said allowance as otherwise provided in Paragraph (a) of this section.

(c) Notwithstanding subsection (b), from the effective date of the ordinance enacting this section until October 1, 1999, any member who has completed thirty (30) years of service and has attained the age of fifty (50) is eligible to retire without a reduction in the service retirement allowance. Retirement applications must be approved by the Board of Administration with an effective date no later than October 1, 1999.

Sec. 4. Division 4 of the Los Angeles Administrative Code is hereby amended by adding Section 4.1062 to Chapter 10 thereof, to read as follows:

Sec. 4.1062. Funeral Expense Allowance.

Subsection C of Section 511 of the Charter provides for the payment of the sum of \$500 upon the death of every member after retirement for the expense of burial. Upon the effective date of the ordinance enacting this section, the amount payable shall be the sum of \$2,500.

Sec. 5. Section 4.1103 of Division 4 of the Los Angeles Administrative Code is hereby amended by adding Subsection (g) to Chapter 11 thereof, to read as follows:

(g) Any member who retires pursuant to Section 4.1056.2(c) of the Los Angeles Administrative Code shall be eligible to receive the health insurance premium subsidy as provided under Section 4.1103 of the Los Angeles Administrative Code.

Sec. 6. Division 4 of the Los Angeles Administrative Code is hereby amended by adding Section 4.1103.3 to Chapter 11 thereof, to read as follows:

Sec. 4.1103.3. Surviving Spouse's Eligibility For Health Insurance Premium Subsidy.

(a) A surviving spouse of a deceased retired member shall be entitled to a health subsidy if at the time of the member's death the member was receiving the health subsidy.

If the retired member dies prior to receiving the health subsidy, the surviving spouse shall be eligible to receive a health subsidy upon the date when the member would have become eligible, as provided in Section 4.1103, to receive the health subsidy .

(b) The subsidy for a surviving spouse who is under age 65 shall be:

Basic Monthly Subsidy: For ten (10) years of the member's City service, as defined in Section 4.1001, 40% of the maximum monthly health subsidy amount established pursuant to the provisions of Paragraph (d) of this section.

Additional Monthly Subsidy: For more than ten (10) years of the member's City service as defined in Section 4.1001, add to the Basic Monthly Subsidy 4% of the maximum monthly health subsidy for each year of city service in excess of ten (10) years.

Maximum Monthly Subsidy: The Monthly Subsidy shall be the Kaiser single party premium for members without Medicare A & B.

(c) The health subsidy for a surviving spouse who is age 65 and older shall be:

For ten (10) years but less than fifteen (15) years of the member's City service, 75% of the single party premium for a retired member with Part A and B of Medicare in the plan in which the member is enrolled.

For fifteen (15) years but less than twenty (20) years of the member's City service, 90% of the single party premium for retired members with Part A and B Medicare in the plan in which the member is enrolled.

For twenty (20) years or more years of the member's City service, 100 % of the single party premium for retired members with Part A and B of Medicare in the plan in which the member is enrolled.

Maximum Monthly Subsidy: The monthly subsidy shall not exceed the Kaiser single party premium for retired members without Part A and B of Medicare.

(d) A surviving spouse who is age 65 and older must enroll in Medicare to the full extent of their entitlement.

(e) From the effective date of this ordinance through September 30, 1999, the health insurance subsidy for a surviving spouse shall be one-half of the formula as provided in subsections (b) and (c) above.

(f) This health insurance subsidy will be provided to: (1) surviving spouses of current active and retired members and (2) current surviving spouses of deceased members as of the effective date of this section.

Sec. 7. Division 4 of the Los Angeles Administrative Code is hereby amended by adding Section 4.1103.4 to Chapter 11 thereof, to read as follows:

Sec. 4.1103.4. Domestic Partner Eligibility for Health Insurance Premium Subsidy .

Domestic Partners who are provided a continuance pursuant to Section 4.1044.4 of the Los Angeles Administrative Code shall be entitled to the health insurance premium subsidy provided under Section 4.1103.3 of the Los Angeles Administrative Code.

Sec. 8. This ordinance shall become effective upon publication.

Sec. 8 9 The City Clerk shall certify to the passage of this ordinance and cause the same to be published in some daily newspaper printed and published in the City of Los Angeles.

I hereby certify that the foregoing ordinance was passed by the Council of the City of Los Angeles, by a vote of not less than two-thirds of all of its members, at its meeting of _____.

ELIAS MARTINEZ, City Clerk,

By _____,
Deputy.

Approved _____

Mayor.

Approved as to Form and Legality

August 5, 1996
JAMES K. HAHN, City Attorney,

By Garcelle J. Emery
GARCELLE J. EMERY, Deputy.

File No. _____



OFFICE MEMORANDUM

Write It — Don't Say It

TO:	<input type="checkbox"/> Your Information <input type="checkbox"/> Please Reply <input type="checkbox"/> See Me <input type="checkbox"/> Prepare Report <input type="checkbox"/> Please Comment <input type="checkbox"/> Per Your Request <input type="checkbox"/> Investigate <input type="checkbox"/> Initial and Forward <input type="checkbox"/> Return by: _____ <input type="checkbox"/> For Necessary Attention
1. <i>Dunn</i>	
2.	
3.	
SUBJECT:	
<i>Actualized Valuations</i>	
<i>for CSES change</i>	

The reports are in the
order shown on Attachment A.

Thanks!

FROM:

Mary Higgins

Date

7-25-96

Phone

5-5288

CITY OF LOS ANGELES
CALIFORNIA



RICHARD J. RIORDAN
MAYOR

ELIAS MARTINEZ
City Clerk

J. Michael Carey
Executive Officer

When making inquiries
relative to this matter
refer to File No.

Office of
CITY CLERK
Council and Public Services
Room 395, City Hall
Los Angeles, CA 90012
Council File Information - (213) 485-5703
General Information - (213) 485-5705

Pat Healy
Chief Legislative Assistant

96-1422

July 30, 1996

BUDGET AND FINANCE COMMITTEE

In accordance with Council Rules, communication from the City Administrative Officer relative to letter of agreement regarding changes in the benefits provided by the City Employees' Retirement System, was referred on July 29, 1996, to the BUDGET AND FINANCE COMMITTEE.


City Clerk
amm

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Date: July 19, 1996

To: The City Council

From: Keith Comrie, City Administrative Officer *KC*

Subject: **LETTER OF AGREEMENT REGARDING CHANGES IN THE BENEFITS PROVIDED BY CERS**

The City Employees Retirement System (CERS) is nearing a fully funded status. As a result City contributions are anticipated to drop \$35 million annually in 1996-97. Better than expected investment returns are anticipated to reduce the City's contribution by another \$20 million in 1997-98 for a total of \$55 million annually thereafter. On June 18, 1996, in recognition of this situation, the City Council approved a list of retirement program updates after mandatory meet and confer sessions with our employee organizations. These changes will reduce the 1997-98 \$55 million savings by \$14 million.

Attached for approval is the final fact sheet on the changes (Attachment A) and a tentative Letter of Agreement (Attachment B) with the employee organizations. The City Attorney will submit the ordinances necessary to implement the proposed changes under separate cover. The ordinances require a two-thirds vote of the City Council. These ordinances cannot be finally adopted until 30 days after their first presentation to the Council and a public hearing has been held.

RECOMMENDATIONS:

1. That the Council approve the Letter of Agreement between the City and affected bargaining representative (Attachment B) authorizing various enhancements in benefits paid by the City Employees' Retirement System; and
2. That the Council, subject to the approval of the Mayor, adopt the ordinances, which will be submitted under separate cover from the City Attorney, needed to implement the enhancements in benefits paid by the City Employees' Retirement System.
3. Schedule a public hearing 30 days after receipt of the implementing ordinances by the Council.

KC:MCH:sr

Attachments

9sr0325

BUDGET AND FINANCE

JUL 29 1996

Rule 16 Motion of Reel Adopted - except 29 referred to Ad Hoc
 City Hall Session Committee #34 Reel Adopted AS Amended

AGENDA NO. 28-34	YES: 14	NO: 0	ABO: 1	11/23/97	11/24/97
ALARCON.....YES	ALATORRE.....YES	BERNARD.....YES	CHICK.....YES		
FEUER.....YES	GOLDBERG.....YES	HERNANDEZ.....YES	HOLDEN.....YES		
MISCIKOWSKI...YES	RIDLEY-THOMAS...YES	SVORINICH.....YES	WACHS.....YES		
WALTERS.....YES	FERRARO.....YES	GALANTER.....ABO			

Fath 31, 32 & 34

that is all

Description of Proposed Changes to CERS

1. **Continuation of health insurance subsidy equal to half Kaiser single party rate for three years then the full single party Kaiser rate for dependents after member's death**

cost: 0.33% of payroll; \$3.3 million each year; \$55.9 million present value

CERS provides a health subsidy benefit, beginning at age 55, to members who retire with at least ten years of service. The subsidy is prorated at 4% per year of City service (e.g. with 10 years it is 40%; with 25 years it is 100%). When the member dies, the surviving spouse may continue his/her coverage, but the subsidy ceases. The survivors must pay the full cost of the coverage. The proposal would continue a health subsidy, at half of the Kaiser single party rate, for the surviving spouse for the next three years; and the full single party Kaiser rate thereafter. Surviving spouses who have Medicare part "A" coverage will also be entitled to a Medicare reimbursement.

2. **Reduction of the early retirement penalty (use of DWP Factors)**

cost: 0.19 % of payroll; approximately \$1.9 million first year; \$25.5 million present value

Members who retire between 55 and 60 with less than thirty years of service and members who retire at less than 55 with thirty years of service have their benefits reduced. Those members over 55 have about a 3% per year reduction; under 55 about 4% per year. Members of the DWPERP in the same circumstances have a 1.5% reduction between 55 and 60, and a 3.5% reduction if they are under 55. CERS members would now be subject to the same discount as members of the DWPERP.

3. **Increase the death benefit payment from \$500 to \$2,500 (Burial Allowance)**

cost: 0.08 % of payroll; approximately \$770,000 first year; \$14.1 million present value

Upon the death of a retired member, CERS pays \$500 to the beneficiaries to defray funeral expenses. This proposal increases the benefit to \$2,500.

4. **Portability of retirement benefits**

cost: 0.4% of payroll; approximately \$4 million first year

Term limits mean that some City employees can, at most, stay eight years. It takes ten years to be eligible to obtain a retirement check at some future date. A plan could be developed that provides such persons the same amount of money the City would put into the retirement system for them, but set aside in an independent retirement account they can take with them when they leave City service. The City cost of this component of portability should be very small.

Further, both public and private employment tends to be shorter term than in the past. Retirement portability is an issue. A system could be set up to allow City employees to transfer their contributions and credits from other public service to the City retirement system. Where individuals participated in a non-contributory systems (i.e. they did not make employee contributions to the system) they would be required to contribute the same employee amount they would have if they were a City employee for the same service time. Public service means all local, state and federal government agencies including the military.

5. Extension of pension benefits to domestic partners

cost: 0.04% to 0.18% of payroll, \$370,000 to \$1.8 million first year cost; \$5.5 million to \$27.3 million present value

Domestic partners of members should have the same status as eligible spouses.

6. Changes in the death benefit for active members ineligible to retire

cost: 0.14% of payroll, approximately \$1.4 million first year; \$15.1 million present value.

Background: Upon the death of an employee not yet eligible to retire, the surviving spouse or dependents receive one of the following benefits:

- A. All survivors receive a 60% disability survivorship benefit which usually provides about 20% of the members' salary.
- B. Survivors of members who participated in the voluntary Family Death Benefit Insurance Plan (FDBIP) receive an amount originally intended to be similar to those provided to survivors under Social Security, but which has fallen short of this goal. The employee and the City contribute equal amounts to provide this benefit.
- C. Survivors of members who were eligible to retire may elect to receive a retirement amount based on years of service or the FDBIP benefit, but not both.

Proposal: Develop a benefit combining the active death benefit and the Family Death Benefit Insurance Plan to provide a more adequate benefit. A specific plan is still being developed, but it should include the following:

- A. Replacing the 60% disability survivorship benefit with a 100% continuance of the disability pension (30% of salary with a minimum of five years City service).
- B. Providing a surviving spouse the option of waiting for a regular service pension rather than taking the disability pension.

The FDBIP can also be restructured to emulate the Social Security benefit. Because this program is currently over funded, the cost to change the FDBIP should be minimal, if anything.

7. Reduce the minimum retirement age for members with 30 years of service for a three year period

Currently members must be age 55 with at least 30 years of service to receive unreduced retirement benefits. Pursuant to this agreement, members with 30 years of service who are at least 50 years of age would be eligible to retire with unreduced retirement and health subsidy benefits. The benefit would be in effect for three years from the effective date of the ordinance implementing this benefit (window period). Retirement applications must be approved by the Board of Administration during the three year window period in order for the member to take advantage of this benefit. This short-term change will assist the City in its downsizing efforts.

cost: 0.13% of payroll; approximately \$1.3 million annually; \$19.2 present value.

8. Implementation

These changes are subject to legal and actuarial work to make sure the City retirement system remains in conformance with federal law. It is expected this work will take 90 to 180 days.

Letter of Agreement
Regarding Changes in Benefits Provided by the
City Employees Retirement System

The parties to this Letter of Agreement are the City (hereinafter Management) and the employee organizations (hereinafter Unions) listed below who represent employees who are members of the City Employees Retirement System (hereinafter CERS) as provided for in Section 502 of the City Charter.

The parties agree to implement changes in the benefits provided by CERS described below:

1. Contribution of health insurance subsidy for surviving dependents after the member's death

Currently, CERS provides a health subsidy benefit, beginning at age 55, to members who retire with at least ten years of service. The subsidy is prorated at 4% per year of City service (e.g. with 10 years it is 40%; with 25 years it is 100%). When the member dies, the surviving spouse may continue his/her coverage, but the subsidy ceases. The survivor must pay the full cost of the coverage.

Pursuant to this agreement, the City will continue a health subsidy for a surviving dependent (i.e.; eligible spouse or dependents receiving a continuance allowance) after the member's death if the member was receiving a health subsidy. If the member died prior to receiving a health subsidy, the surviving spouse will become eligible to receive a health subsidy when the member would have become eligible. The subsidy will continue to be subject to the proration schedule described above and may not exceed half of the Kaiser single party rate for retired members for 36 months from the effective date of the ordinance implementing this change and the full single party Kaiser rate for retired members thereafter. In addition, surviving dependents opting to take this benefit must follow the same requirements for Medicare coverage that apply to the member. Specifically, at age 65, the surviving dependent must apply for Medicare to the full extent of entitlement. If the entitlement includes Part A coverage, the City will reimburse the surviving dependent the premium cost for Part B and provide a medical subsidy per the following formula.

For 36 months from the effective date of the ordinance implementing this change, the subsidy amount shall be one-half ($\frac{1}{2}$) of the following formula, thereafter it will be the full amount of the following formula:

For ten (10) but less than fifteen (15) years of City service, 75 percent of the single party premium for a member with Part A and B of Medicare in the plan in which the member is enrolled;

For fifteen (15) but less than twenty (20) years of City service, 90% of the single party premium for retirement members with Part A and B of Medicare in the plan in which the member is enrolled; and

For twenty (20) or more years of City service, 100 percent of the single party premium for retired members with Part A and B of Medicare in the plan in which the member is enrolled.

In no case will the medical subsidy for a surviving dependent exceed the single party Kaiser rate for members without Medicare A and B.

In addition to the active members represented by the Unions to this agreement, this benefit will be provided to all retired members and current surviving spouses.

2. Reduction of the early retirement penalty (use of DWP Factors)

Members who retire between ages 55 and 60 with less than thirty years of service and members who retire at less than 55 with thirty years of service have their benefits reduced. Currently the reduction factor for those members over 55 is about 3% per year. The reduction factor for those members under 55 is about 4% per year. Pursuant to this agreement, the reduction factors will be reduced to 1.5% reduction between 55 and 60, and 3% reduction if they are under 55. The reduction factors are shown on the attached exhibit.

3. Increase the death benefit payment from \$500 to \$2,500

Upon the death of a retired member, CERS pays a \$500 death benefit to the member's beneficiaries to defray funeral or other expenses. Pursuant to this agreement, the benefit will be increased to \$2,500.

4. Portability of Retirement Benefits

Pursuant to this agreement, the City will provide a program which allows members to acquire years of service in CERS based on previous public service. (Public service means local, state and federal government agencies including the military.) The City agrees to pick up all employer related costs.

The parties agree to meet and confer on the plan design for and implementation of this program. The City and the affected unions agree to work in good faith to expeditiously develop and implement a plan design. The City will develop a proposal to amend the public service buy-in program and present it to the Unions to this agreement on or about October 1, 1996.

In addition, the City will develop and implement a program for employees subject to term limits that provides the same amount of money the City would put into the retirement system for them, but set aside in an independent retirement account they can take with them when they leave City service. Term limits mean that some employees can, at most stay eight years.

5. Extension of pension benefits to domestic partners

Under the current retirement provisions, there is no mechanism to provide a retirement income to the domestic partners of members. Pursuant to this agreement, domestic partners of members will be considered an "Eligible Spouse" for the purposes of retirement and health subsidy benefits. To obtain domestic partner benefits, the member and the domestic partner must meet the following conditions and attest to this by completing and signing an Affidavit of Domestic Partnership filed with CERS:

- a. are in a committed and mutually exclusive relationship in which the member and domestic partner are jointly responsible for each other's welfare and financial obligations;
- b. have resided together in the same principal residence for at least 12 months and intend to do so indefinitely; and
- c. are 18 years of age or older, unmarried, and not blood relatives.

For a member's domestic partner to be eligible for a retirement continuance, the Affidavit of Domestic Partnership must be on file with CERS at least one year before the member's retirement and still in place at the time of the member's death. However, for those member's who have an Affidavit of Domestic Partnership on file with the Personnel Department and file an Affidavit of Domestic Partnership with CERS on or before December 31, 1996 the one year period required before a member's retirement will begin on the date the Affidavit was accepted by the Personnel Department.

By extending to an employee the specific benefits defined in this Letter of Agreement, the City does not intend to confer or imply any other unspecified benefits to such member, or the member's domestic partner.

6. Change the death benefit for active members not yet eligible to retire

Pursuant to this agreement, the City will provide enhanced active death benefits and improve the Family Death Benefit Insurance Plan (FDBIP) as follows.

Active Death Benefit

- a. Replace the 60% disability survivorship benefit with a 100% continuance of the disability pension retirement allowance.
- b. Allow the surviving spouse to receive a 100% survivorship allowance when the member would have been eligible for a service retirement.
- c. Allow the surviving spouse of former vested member to receive a 100% survivorship allowance when the member would have been eligible for a service retirement.

Family Death Benefit Insurance Allowance

- a. The family allowance will be increased to the 1996 social security maximum.
- b. The surviving spouse benefit will be doubled.

7. Reduce the minimum retirement age for members with 30 years of service for a three year period

Currently members must be age 55 with at least 30 years of service to receive unreduced retirement benefits. Pursuant to this agreement, members with 30 years of service who are at least 50 years of age would be eligible to retire with unreduced retirement and health subsidy benefits. The benefit would be in effect for three years from the effective date of the ordinance implementing this benefit (window period). Retirement applications must be approved by the Board of Administration during the three year window period in order for the member to take advantage of this benefit.

This Letter of Agreement constitutes a joint recommendation of Management and the Unions and shall not be binding in whole or in part on the parties listed below unless and until the City Council has approved the Letter of Agreement in the manner required by law. The changes described above require ordinances to be implemented. Therefore, the changes will become operative on the effective date of the ordinances unless otherwise specified.

CERS will pay benefits only in accordance with prevailing local, state and federal laws. Should the implementation of this agreement cause members to exceed benefit limits established under the Internal Revenue Code Section 415, the provisions of Ordinance No. 165334 will apply. The City will meet and confer with the unions on alternate means of maintaining for such members the level of benefits in effect at the time of the members retirement.

For purposes of constructing this instrument, all language herein is deemed to have been jointly drafted by the parties.

ERD
9sr0311

(Signature page follows)

EXHIBIT**EARLY RETIREMENT REDUCTION FACTORS
1.5%/3.5%**

Age at Retirement	Proportion of Earned Benefits Payable	Age at Retirement	Proportion of Earned Benefits Payable
45	.625	53	.865
46	.655	54	.895
47	.685	55	.925
48	.715	56	.940
49	.745	57	.955
50	.775	58	.970
51	.805	59	.985
52	.835	60	1.000

For the City:

H. Carril
City Administrative Officer

7/18/96
Date

For the Employee Organizations

Airport Supervisory Police Officers Assn. of LA

Date

Cheryl Parise
AFSCME

July 11, 1996
Date

William J. Thompson
LA City Attorneys Assn.

7-1-96
Date

Robert D. Duncan
Engineers and Architects Assn.

7/11/96
Date

Los Angeles Airport Peace Officers Assn.

Date

Julia Butcher
SEIU Local 347

7/11/96
Date

Skip Herke
LA/Orange County Building Trades Council

7-11-96
Date

Faul Allen
L.A. City Supervisors and Superintendents Assn

7-11-96
Date

L. A. Port Pilots Assn.

Date

L.A. Port Police Assn.

Date

Charley M. Mims
L.A. Professional Managers Assn.

July 11, 1996
Date

David H. Hamilton
Local 501, Operating Engineers

7-11-96
Date

Municipal Construction Inspectors Assn.

Date

Municipal Construction Inspectors Assn.

Date

ORDINANCE NO. 171656

An ordinance amending Division 4 of the Los Angeles Administrative Code by adding Section 4.1065 to Chapter 10 thereof, so as to provide for Reciprocity with the Public Employees' Retirement System.

THE PEOPLE OF THE CITY OF LOS ANGELES
DO ORDAIN AS FOLLOWS:

Section 1. Division 4 of the Los Angeles Administrative Code is hereby amended by adding Section 4.1065 to Chapter 10 thereof, to read as follows:

Sec. 4.1065. Reciprocal Benefits with the Public Employees' Retirement System

(a) Uniform Reciprocal Provisions

The purpose of these reciprocal provisions is to extend to the members of other public agency retirement systems (hereinafter "reciprocal system") which adopt similar reciprocal provisions into their retirement ordinances or plans pursuant to Sections 20351, 20353, 31840.2 and 45310.5 of the Government Code, and who by contract agree to extend the benefits thereof to the City Employees Retirement System (hereinafter "this system"), the following rights in this system, provided such member enters into employment under this system or the reciprocal system within six months of terminating his or her employment under such other or this system:

- (1) Notwithstanding any provisions of this plan or a reciprocal system plan in the matter of vesting, a member whose movement between systems occurs as herein specified shall have the right to elect to leave his or her accumulated contributions on deposit irrespective of the amount of such contributions or the length of service credited to him or her.
- (2) The age of entry for a person entering this system for purposes of fixing member contribution rates from a reciprocal system shall be his or her age at entry into such reciprocal system.
- (3) The average monthly salary during any period of service as a member of a reciprocal system shall be considered compensation earnable by a member of this system for purposes of computing final compensation for such member, provided he or she retires concurrently under both systems and is credited with such period of service under the reciprocal system at the time of retirement.
- (4) Service, solely for purposes of meeting minimum service qualifications for benefits and retirement allowances under this system, shall also include service rendered as an officer or employee of a reciprocal system if the salary for such service constitutes compensation earnable by a member of this system.
- (5) A member shall be retired for disability and receive a retirement allowance based on the service credited to him or her at the time of retirement during any period in which he or she receives a disability retirement allowance under a reciprocal system; provided, that such allowance shall not exceed an amount which when added to the allowance paid under the reciprocal system equals the allowance which would be paid for a non-industrial disability if all the member's service had been credited under the reciprocal system; and provided further, that such allowance shall in no event be less than an annuity which is the actuarial equivalent of the member's contributions, whether or not the disability is for industrial reasons.
- (6) The death benefit for a member who dies from non-industrial causes as a member of a reciprocal system shall not exceed an amount which when added to the death benefit paid for such member under the reciprocal system equals the maximum death benefit payable under that system; provided, however, that such death benefit shall be at least the amount of the accumulated contributions; and, provided further, that if death is caused by industrial injury or disease in the reciprocal system the death benefit shall be the amount of the member's accumulated contributions.

