

MOTION

Rising pension costs, including retiree healthcare benefits, are a driver of the City's budgetary deficit. On April 7, 2011, the City Administrative Officer (CAO) released a proposed "Retiree Health Subsidies" report recommending a permanent freeze of retiree medical subsidies for active members of the Los Angeles City Employees' Retirement System (LACERS) and Los Angeles Fire and Police Pensions (LAFPP) who retire on or after July 1, 2011. Based on actuarial study results, the CAO estimates the City's General Fund would save approximately \$112 million after the first year of implementation and would continue to realize additional annual savings of this magnitude.

In its report, the CAO indicated that negotiations with bargaining units to mitigate rising pension costs continue.

Implementing a freeze on retiree medical subsidies is a complex issue, and while analysis relative to LACERS has been completed, aspects specific to LAFPP must still be assessed. LACERS and LAFPP are completely independent retirement systems with a separate benefits structure, policies, staff, administration, and retirement board. LACERS administers benefits for mostly civilian employees, while LAFPP administers benefits for sworn police officers and firefighters. It would be prudent to consider a subsidy freeze on each system exclusive of one another.

I HEREBY MOVE that Council:

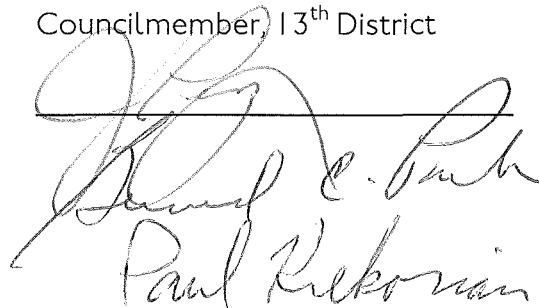
1. REQUEST the City Attorney to submit a draft Ordinance to Council within 14 days modifying the Los Angeles Administrative Code (LAAC) to permanently freeze the LACERS medical subsidy at its current level for active members as of July 1, 2011.
2. DIRECT the CAO to report back to the EERC within 14 days on the following specific items regarding the impact to LAFPP and continue negotiations with labor unions that have not agreed to pay for retiree healthcare in an effort to mitigate retiree healthcare costs:
 - How the City's Deferred Retirement Option Plan (DROP) will be impacted.
 - How retirement rates will be impacted.
 - Whether any Charter changes are required.
 - To discuss with LAFPP staff the consequences of this health care subsidy freeze.

PRESENTED BY:



Eric Garcetti
Councilmember, 13th District

SECONDED BY:



Paul Kekorian

APR 20 2011



ORIGINAL