

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Date: December 6, 2013

To: The City Council

From: Miguel A. Santana, City Administrative Officer



Subject: **DEPARTMENT OF WATER AND POWER EMPLOYEE RELATIONS PACKAGE**

The Los Angeles City Council will consider at its December 10, 2013, meeting a comprehensive employee relations package concerning the Los Angeles Department of Water and Power (DWP). The package is inclusive of the following Council Files:

- CF# 13-1459 – This item is the Los Angeles City Employees' Retirement System (LACERS) Ordinance suspending the reciprocity agreement with the Water and Power Employees' Retirement Program (WPERP). The item was initially presented to the City Council on November 8, 2013. The item has been rescheduled to the December 10, 2013, agenda in order to meet the requirements of Charter Section 1168(b).
- CF# 13-1595 – This item is the settlement agreement in the Romero v. City of Los Angeles lawsuit. The item is scheduled for consideration by the Budget and Finance Committee on December 9, 2013.
- CF# 13-1627 – This item contains the 10 memoranda of understanding (MOU's) for the employees at DWP who are represented by the International Brotherhood of Electrical Workers. The Personnel and Animal Welfare Committee waived consideration of the item on December 5, 2013.

On December 3, 2013, the DWP Board of Commissioners approved a similar package. One of the items approved in this package was the creation of a new retirement tier in the WPERP and the suspension of the reciprocity agreement between LACERS and WPERP all to become effective on January 1, 2014. The WPERP Board of Administration is scheduled to act upon the new retirement tier and suspension of the reciprocity agreement in its meeting scheduled for December 11, 2013. As such, immediate action is needed by the City Council to waive review of the Board of Water and Power Commissioners action pursuant to Charter Section 245(b) so that the matter can be adopted by the WPERP Board of Administration.

Representatives from the CAO, LACERS, and the City Attorney's Office have met with Coalition leaders on three occasions regarding the impacts of these items. Handouts have been made available during these meetings describing the specifics of the new tier design that will be available to Water and Power new hires. Likewise, subject matter experts have been available to respond to specific plan design questions. It is anticipated that these meetings will provide useful information to assist employees in making informed decisions about transferring systems.

Recommendations

1. That the City Council approve the agenda items associated with CF#'s 13-1459, 13-1595, and 13-1627;
2. That the City Council waive review of the Board of Water and Power Commissioners action to approve the new retirement tier and suspend the reciprocity agreement between WPERP and LACERS;
3. That the City Council direct the CAO to continue discussions with the Coalition and provide information to assist Coalition members with making informed decisions regarding transferring pension systems.

Fiscal Impact Statement

The cumulative fiscal impact of the changes described in these items total \$5.2 billion over 30 years as outlined in the attached document. These savings includes those gained from the MOU component, the lawsuit settlement, and the pension reform. It is important to note that failure to adopt any part of this package will result in a complete collapse of the entire package yielding no savings to the City and substantial monetary liability from legal proceedings associated with litigation.

Attachment

MAS:MHA:0714043

PROPOSED IBEW SETTLEMENT AGREEMENT

Revised December 3, 2013

I. MEMORANDA OF UNDERSTANDING WITH IBEW BARGAINING UNITS: 92% of DWP Workforce

Key MOU Components	4 Year Savings Estimate	30 Year Savings Estimate (PV at 2.9%)
MOU term is extended from 10/1/14 to 9/30/17	N/A	N/A
Defer COLA from 10/1/13 - 10/1/16 based on 2% CPI	\$385	\$3.922 Billion
Entry Level Salary Reduction for 34 Common Classes	\$15 Million	\$196 Million
Contracting Out Overtime Reduction from 10% to 5% for non-field related work	\$3 Million	\$26 Million
Sick Time Medical Certification Requirement	\$12 Million	\$83 Million
Employee Healthcare Contribution Defrayal	N/A	N/A
Joint Labor/Management Resolution Board Process	TBD	TBD
Total Estimated Savings	\$415 Million	\$4.227 Billion

Requires union ratification; Board of Water and Power Commissioners, City Council, and Mayoral approval.

II. SETTLEMENT OF RECIPROCITY LAWSUIT (*Romero v. City of Los Angeles*)

Reciprocity between the Water and Power Employees' Retirement Plan (WPERP) and Los Angeles City Employees' Retirement System (LACERS) will be amended as follows (applies to all future transfers):
Each system will only pay for service credit earned while an employee is a member of that system.
Employees may purchase time served with the other system at full actuarial value.
Employees transferring from either retirement plan are barred from entering Tier 1 pension plans and will enter the Tier 2 pension plan at each system.
The <i>Romero v. City of Los Angeles</i> lawsuit is dismissed with prejudice.
The City's General Fund will owe nothing to WPERP in connection with the lawsuit.
Total Estimated Savings for the City's General Fund is \$180 to \$210 million.

Requires Board of Water and Power Commissioners and City Council approval.

III. WATER AND POWER EMPLOYEES' RETIREMENT PLAN (WPERP) TIER 2 FOR ALL NEW HIRES

Key Plan Design Components	Current	Proposed
Formula (Unreduced):	2.1% @ Age 60/5 Years 2.3% @ Age 55/30 Years	2.0% @ Age 55/30 Years 2.0% @ Age 63/10 Years 2.1% @ Age 63/30 Years 1.5% @ Age 60/10 Years
Maximum Pension:	100%	80%
Pension Calculation:	Highest Year Salary	Highest 3 Year Average
COLA:	3% maximum	2% maximum
Employee Contribution:	6% Total	7% Pension 3% Retiree Healthcare 10% Total
Retiree Health Subsidy:	Two Party Coverage	Single Party Coverage
Total Estimated Savings:		\$41 million over 4 years, \$1 billion (PV) over 30 years

Requires Board of Water and Power Commissioners approval and WPERP Board of Administration adoption.

**THE COMBINED SAVINGS FOR THE ENTIRE SETTLEMENT AGREEMENT IS
\$456 MILLION OVER THE 4 YEAR TERM AND \$5.2 BILLION OVER A 30 YEAR TERM.**