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REPORT NO. R 1 5 - 0 3 0 4
DEC 0 4 2015

REPORT RE:

DRAFT ORDINANCE AMENDING CHAPTERS 10 AND 11 OF DIVISION 4 OF THE LOS ANGELES ADMINISTRATIVE CODE TO TRANSFER MEMBERS OF TIER 2 OF THE LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM (LACERS) TO TIER 1, ESTABLISH TIER 3 OF LACERS, AND CHANGE PROSPECTIVELY THE ELIGIBILITY REQUIREMENTS OF THE RETIREE HEALTH AND WELFARE PROGRAMS FOR PART-TIME EMPLOYEE MEMBERS OF LACERS

The Honorable City Council
of the City of Los Angeles
Room 395, City Hall
200 North Spring Street
Los Angeles, California 90012

Council File No. 15-1423

Honorable Members:

This Office has prepared and now transmits for your consideration the enclosed draft ordinance, approved as to form and legality. The draft ordinance would amend Chapters 10 and 11 of Division 4 of the Los Angeles Administrative Code (LAAC) to transfer current members of Tier 2 of the Los Angeles City Employees' Retirement System (LACERS) to Tier 1, establish Tier 3 of LACERS for new employees, establish a retiree health and welfare program for members of Tier 3 of LACERS, and change prospectively the eligibility requirements of the retiree health and welfare programs for part-time employee members of LACERS. The draft ordinance would also make related technical changes.

Background and Summary of Ordinance Provisions

The draft ordinance implements the settlement agreement reached on July 9, 2015, between the Coalition of Los Angeles City Unions and the City, which resolved litigation concerning Tier 2 of LACERS, but did not resolve the unfair employee relations charges regarding the suspension of reciprocity between LACERS and the Water and Power Employees' Retirement Plan. The changes made by the draft ordinance to Chapter 10, Division 4 would effectively discontinue Tier 2 and transfer all current members of Tier 2 to Tier 1. The City would contribute the funds necessary, as determined by the actuary for LACERS, to make the LACERS fund whole for any contributions that would have been made by the City and Tier 2 members had those members been members of Tier 1 from their respective initial dates of membership in LACERS. Additionally, the draft ordinance would establish a new tier of LACERS, Tier 3, for new hires, including a retiree health and welfare program for Tier 3 members.

The draft ordinance would also change prospectively the eligibility requirements of the retiree health and welfare programs for part-time employee members of LACERS. Beginning on the effective date of the ordinance, LACERS members who are receiving a service or disability retirement allowance would be eligible to participate in the retiree health and welfare programs established under Chapter 11 of Division 4 of the LAAC. In order to participate in the programs, the LACERS member must be fifty-five years old with ten years of City service, even if some or all of that service was less than full time. The amount of the retiree health benefit to which such members will be entitled would continue to be pro-rated based upon the number of hours the employee worked per pay period. These changes would align the treatment of part-time service under the health and welfare program established under Chapter 11 of Division 4 with the treatment of part-time service under the retirement benefit program established under Chapter 10 of Division 4.

Government Code Section 7507 and Charter Section 1168 Requirements for Final Adoption

Because this draft ordinance modifies retirement benefits, Government Code Section 7507 requires that an actuary who is an associate or fellow of the Society of Actuaries provide a statement as to the impact of the change on future costs and that the statement be made public at a public meeting at least two weeks prior to the adoption of the ordinance. This statement also will satisfy Charter Section 1168(b), which requires that, as a condition to the final adoption of an ordinance modifying LACERS retirement benefits, Council be advised, in writing, by an enrolled actuary as to the cost of any benefit increases.

Charter Section 1168(a) requires approval of the proposed ordinance by not less than two-thirds of the membership of the Council, subject to the veto of the Mayor and override by the Council by a three-fourths vote. The final adoption of the ordinance can

only take place after a public hearing has been held and after at least 30 days following its first presentation to the Council. Pursuant to Charter Section 252 (i) and Charter Section 1168(b), the ordinance is effective upon publication, but the Council may provide that the terms of the ordinance, or portions of it, shall be operative at a later date or dates.

Council Rule 38 Referral

A copy of the draft ordinance was sent, pursuant to Council Rule 38, to LACERS and to the Office of the City Administrative Officer. Their respective comments have been incorporated into the draft ordinance.

If you have any questions regarding this matter, please contact Deputy City Attorney Anya J. Freedman at (213) 978-6800 or Deputy City Attorney Hugo S. Rossitter at (213) 978-7153. They or another member of this Office will be present when you consider this matter to answer any questions you may have.

Very truly yours,

MICHAEL N. FEUER, City Attorney

By



DAVID MICHAELSON
Chief Assistant City Attorney

DM:AF:pj
Transmittal