

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Date: December 7, 2015

To: The City Council

From: Miguel A. Santana, City Administrative Officer



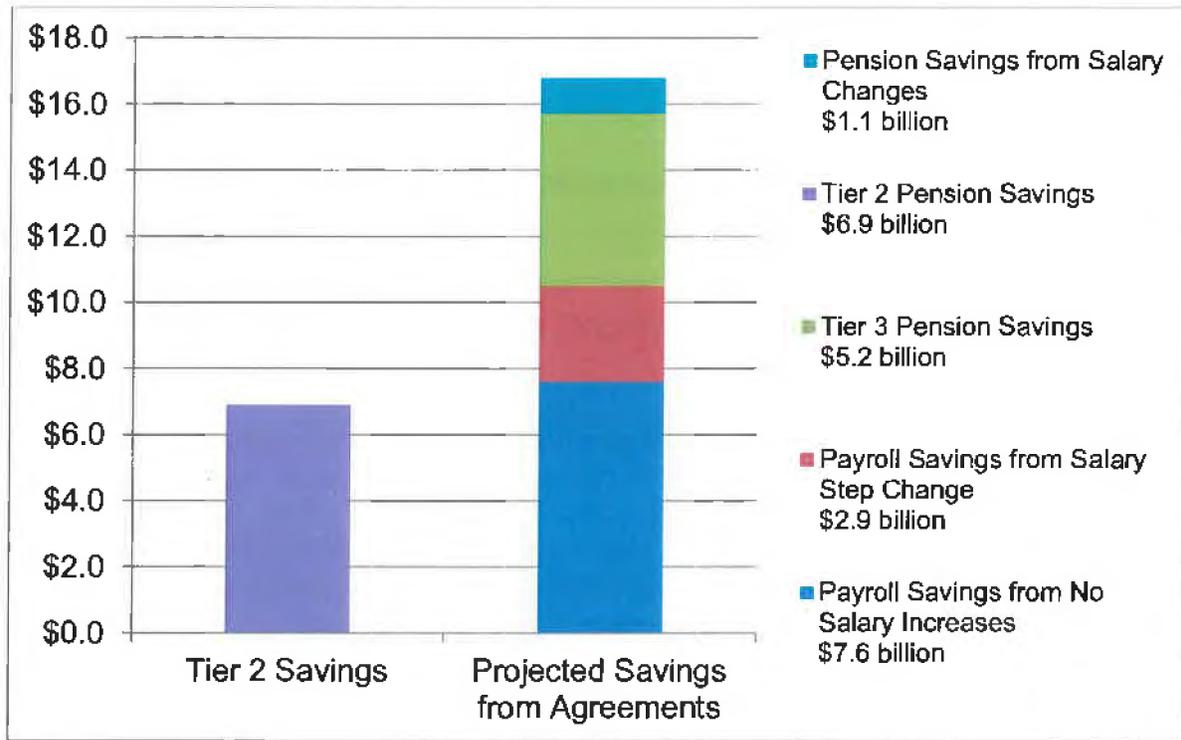
Subject: **ADDENDUM REPORT TO PROPOSED RESOLUTION OF LABOR ISSUES – COALITION OF LOS ANGELES CITY UNIONS**

This report is an informational addendum to the recently released report by the City Administrative Officer relative to the proposed resolution of labor issues with the Coalition of Los Angeles City Unions (CF No. 15-1423). This addendum is being released to provide clarity on the savings information presented in the original report and present additional savings calculations from the actuary pertaining to the proposed salary changes.

As presented in the original report, the proposed agreements are projected to save the City \$15.7 billion, cumulative over 30 years pursuant to an actuarial analysis. Of this amount \$5.2 billion are pension savings that are derived from lower employer pension costs from the new Tier 3 as compared to Tier 1. The remaining \$10.5 billion are payroll savings that the City is anticipated to achieve with the implementation of the salary step changes (\$2.9 billion) and as a result of the negotiated salary adjustments with multiple years of no increases (\$7.6 billion). Section 12 of Attachment 21 to the original report illustrate the 30 year cumulative savings associated with these salary changes.

Subsequent to the release of the original report, questions pertaining to the pension savings derived from the proposed salary changes were asked which could not be answered from the existing actuarial report. As a result, this Office requested a supplemental actuarial analysis to determine the pension savings derived from the salary changes which is attached. As illustrated in the attachment, in addition to the \$10.5 billion in payroll savings resulting from the salary changes, \$1.1 billion in pension savings are anticipated to be achieved due to the proposed salary changes, cumulative over 30 years. This additional savings, when combined with the previously reported savings of \$15.7 billion from the proposed agreements, will result in \$16.8 billion in pension and payroll savings for the City, cumulative over 30 years. The savings chart from the original report has been adjusted to reflect this change as follows.

Savings Comparison between Tier 2 and Proposed Agreements (\$ in Billions)



Source: Actuarial Report, Bartel & Associates – Attachment 21
& Addendum Report

Attachment