

CARMEN A. TRUTANICH
City Attorney

REPORT NO. R 1 1 - 0 1 0 2

MAR 1 5 2011

REPORT RE:

**DRAFT ORDINANCE AMENDING CHAPTERS 10 AND 11
OF DIVISION 4 OF THE LOS ANGELES ADMINISTRATIVE CODE
TO ADD A SECOND TIER TO THE LOS ANGELES CITY EMPLOYEES'
RETIREMENT SYSTEM FOR NEW MEMBERS AND
TO MAKE OTHER TECHNICAL CORRECTIONS**

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

Honorable Members:

This Office has prepared and now transmits for your consideration the attached draft ordinance, approved as to form and legality. This ordinance was prepared at the request of, and pursuant to instructions from, the Executive Employee Relations Committee. The ordinance revises provisions of the Los Angeles Administrative Code in order to provide a second tier of benefits for employees who become members of the Los Angeles City Employees' Retirement System (LACERS) on or after January 1, 2012, and to make a number of technical changes. A copy of the draft ordinance was sent, pursuant to council Rule 38, to the Los Angeles City Employees' Retirement System and its comments have been incorporated.

Section 1 adds a new Section 4.1004 to Chapter 10 to establish the benefits and conditions of entitlement for members of the new tier (Tier 2). Members of Tier 2 will contribute a total of 11% of compensation earnable to the Retirement Fund, have their final compensation based upon a 36-month period (rather than 12 months), have their service retirement allowances calculated based upon a lower retirement factor (with a normal retirement age of 65), and receive cost of living increases (COLAS) limited to 2% per year.

Section 4 amends the disability provision set forth in Section 4.1055 of Chapter 10. Members of Tier 2 will not become eligible for disability benefits until they have completed ten years of service and their disability allowances will be calculated based upon a lower retirement factor. Based upon a recommendation from the Joint Labor Management Benefits Committee, the period in which all members have to apply for disability benefits is being extended from six months to a year. And a provision that reduced benefits for older employees, which conflicted with federal law and has not been enforced for many years, is being deleted.

Section 5 amends Section 4.1055 to allow employees, who return to service from disability retirement, to replace the contributions that were used up to fund their disability allowance so as to receive a full (rather than a reduced) service retirement allowance.

Sections 2, 3, and 6 amend Chapter 10 to update section references that will change as a result of the adoption of this ordinance.

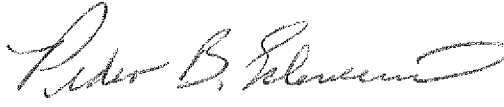
Sections 7 through 26 amend Chapter 11, which contains the health programs provided for LACERS' retirees, to require longer vesting schedules for some health subsidies provided to Tier 2 members. The maximum medical subsidies for Tier 2 members will be tied to single-party (rather than two-party) premiums. Tier 2 retirees will be allowed to participate in all the programs that are provided for Tier 1 retirees, but subsidies for Tier 2 members may not be used to pay for dependent coverage. In addition, technical changes were made to the wording of some provisions in order to make them easier to understand and administer.

This ordinance may be adopted by the City Council pursuant to the provisions of Charter Section 1168, which requires approval 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 three-fourths of the Council. The final adoption of this ordinance cannot occur until after a public hearing has been held and until at least thirty days after its first presentation to the Council. Since this ordinance modifies retirement benefits, Government Code Section 7507 requires that a report from an actuary, who is an associate or fellow of the Society of Actuaries, must be obtained and made public at a public meeting at least two weeks prior to the adoption of these changes. If the future costs of the changes exceed one-half of 1 percent of the future annual costs, an actuary shall be present to provide information as needed at the public meeting at which the adoption of a benefit change shall be considered.

If you have any questions regarding this matter, please feel free to contact Deputy City Attorney Mary Jo Curwen from the Retirement Benefits Division at (213) 978-4400. She or another member of our Office will be present when you consider this matter to answer any questions you may have.

Very truly yours,

CARMEN A. TRUTANICH, City Attorney

By 

PEDRO B. ECHEVERRIA
Chief Assistant City Attorney

PBE:MJC:lee
Transmittal

cc: Antonio R. Villaraigosa, Mayor
Miguel A. Santana, City Administrative Officer
Gerry F. Miller, Chief Legislative Analyst
Los Angeles City Employees' Retirement System
Board of Administration of LACERS

ORDINANCE NO. _____

An ordinance amending Chapters 10 and 11 of Division 4 of the Los Angeles Administrative Code to provide a second tier with reduced and different benefits for new hires who become members of the Los Angeles City Employees' Retirement System on or after January 1, 2012, and to make other technical corrections.

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

Section 1. A new Section 4.1004 is added to Chapter 10 of Division 4 of the Los Angeles Administrative Code to read as follows:

Section 4.1004. Establishment of Tier 2.

All employees who become members of the Retirement System on or after January 1, 2012 shall become members of Tier 2, except as provided otherwise in Subsection (a) below. The benefits and conditions of entitlement for members belonging to Tier 2 shall differ, as provided in this section, from the benefits and conditions of entitlement for employees whose membership in LACERS began prior to January 1, 2012 (members of Tier 1). There shall be no exception to Tier 2 membership based upon Section 4.1065 and Tier 2 members entitled to reciprocity under Section 4.1065 shall contribute at the rate provided in Tier 2, which is not related to age at entry. All citations herein are to provisions in this Chapter unless noted otherwise.

(a) Exceptions to Tier 2 Membership.

(1) **Former Members with Contributions on Deposit.** A former member who returns to membership in the Retirement System on or after January 1, 2012, shall return to membership in Tier 1 if he or she has pre-2012 contributions that remain on deposit with the Retirement Fund on the date he or she re-enters City service. All former members who return to membership on or after January 1, 2012, without having pre-2012 contributions on deposit shall become Tier 2 members. Former members may not qualify for the exception provided in this paragraph by making back contributions or re-deposits of contributions after re-entry into city service.

(2) **Tier 1 Disability Retirees Returned to Employment.** A Tier 1 disability retiree who is returned to City employment on or after January 1, 2012, as provided in Subsections 4.1055(b) or (d), shall return to membership in Tier 1.

(3) **Reciprocal Retirement Benefit Arrangement.** If an employee of the City's Department of Water and Power (DWP) participates in the reciprocal retirement benefit arrangement established in Section 4.1060, he or she shall become a member of Tier 1 upon becoming a member of the Retirement

System, rather than Tier 2, provided that his or her employment with the DWP commenced prior to January 1, 2012, and was continuous until the date he or she becomes a Retirement System member. This exception shall not apply if the member elects not to participate in the reciprocal retirement benefits arrangement, as provided in Subsection 4.1060(5).

(4) **Limited Term Retirement Plan.** An elected official who was a member of the Limited Term Retirement Plan (LTRP) on December 31, 2011 and subsequently becomes a member of the Retirement System shall become a member of Tier 1, rather than Tier 2, provided that his or her service as an elected official was continuous from December 31, 2011, until the date he or she became a member of the Retirement System and all of his or her interest in his or her individual account with the LTRP is transferred to his or her member account with the Retirement System pursuant to the provisions of Section 4.1051(a)(3)(1).

(b) **Back Contributions and Re-Deposits of Contributions.** Tier 2 members may make back contributions as provided in Section 4.1051. Tier 2 members may re-deposit previously withdrawn accumulated contributions as provided in Section 4.1051.1. Notwithstanding any provision in Section 4.1051.1 that may provide otherwise, a re-deposit shall not affect his or her contribution rate and he or she shall continue to pay contributions as provided in subsection (c) herein. Further, neither making back contributions nor re-depositing previously withdrawn contributions shall allow a member to establish an earlier membership date for purposes of excluding him or her from membership in Tier 2.

(c) **Tier 2 Contributions.** A member who belongs to Tier 2 shall contribute by salary deduction to the Retirement Fund at the rate of 11% of the member's compensation earnable, which shall consist of a normal contribution of 8½%, a survivor contribution of ½ % (for participation in the benefit provided in Section 4.1044), and an additional normal contribution of 2% to provide additional employee funding for service retirement benefits in order to support the City's ability to fund retiree health benefits. Members of Tier 2 shall be credited with interest on their contributions in the same manner as other members.

(d) **Final Compensation.** The provisions regarding final compensation contained in Section 4.1010 shall apply to Tier 2 members except that:

(1) Compensation which is to be included in Final Compensation for all Tier 2 purposes shall be limited to base salary and shall not include regularly assigned bonuses or premium pay.

(2) Final compensation for all Tier 2 purposes shall be calculated as an average of the monthly compensation paid during the member's last 36 months of service or any other 36 consecutive months of service which the member shall designate. Any references in this Chapter to a 12-month period related to final

compensation shall be deemed to refer to 36 months for Tier 2 members. Since employees are paid on a bi-weekly basis, rather than a monthly basis, the Board shall adopt appropriate rules to convert a member's bi-weekly compensation payable for 78 consecutive pay periods into an amount that represents the member's equivalent compensation for the 36 month period that is to be used to determine final compensation pursuant to this provision. If for any reason final compensation must be computed for any member who has completed less than 36 months of continuous service, the salary for the missing months shall be at the rate for the first month of service to arrive at the compensation earnable.

(e) Service Retirement for Employees.

(1) **Normal Retirement.** A Tier 2 member with ten or more years of continuous City service shall be eligible to retire after reaching age 65 with a retirement factor of 2%. A Tier 2 member shall be eligible to retire at age 70 or older, regardless of length of City service, with a retirement factor of 2%.

(2) **Early Retirement.** A Tier 2 member with ten or more years of continuous City service shall be eligible to retire after reaching age 55 with the following retirement factor based upon his or her age:

- (A) A retirement factor of 1.16% at age 55.
- (B) A retirement factor of 1.24% at age 56.
- (C) A retirement factor of 1.33% at age 57.
- (D) A retirement factor of 1.41% at age 58.
- (E) A retirement factor of 1.50% at age 59.
- (F) A retirement factor of 1.58% at age 60.
- (G) A retirement factor of 1.66% at age 61.
- (H) A retirement factor of 1.75% at age 62.
- (I) A retirement factor of 1.83% at age 63.
- (J) A retirement factor of 1.92% at age 64.

(3) A Tier 2 member who is eligible for normal or early retirement may file a service retirement application with the Board of Administration specifying a retirement date. The application shall be filed not less than 30 nor more than 60 days prior to the requested retirement date. In the event a member has been notified by the City that he or she will be laid off, the application need only be filed with the Board prior to the member's termination date.

(f) Service Retirement for Terminated Employees (Deferred Retirement).

A Tier 2 member who terminates city employment other than by retirement may leave his or her contributions in the Retirement Fund. Such former members' individual accounts shall be credited with regular interest in the same manner as applies to members' individual accounts. In order to become eligible for a deferred service retirement from Tier 2, a former member whose contributions remain in the Retirement Fund must have:

- (1) Five years of continuous City service, be age 55 or older, and ten years must have elapsed since he or she first became a member; or
- (2) Five years of continuous City service and be age 70 or older; or
- (3) Been a part-time employee, be age 55 or older, and ten years must have elapsed since he or she first became a member; or
- (4) Been a part-time employee and be age 70 or older.

A former member who is eligible for a deferred service retirement may file a written application with the Board and shall be retired with the retirement factor attributable to his or her age as provided in Subsection (e)(1) or (e)(2) above.

(g) **Service Retirement Allowance.** Members of Tier 2 shall not qualify for a Beta Formula retirement, but shall receive a Tier 2 Formula retirement. The service retirement allowance for a person who is eligible to retire under either Subsection (e) or (f) herein shall be determined pursuant to the following Tier 2 Formula:

Retirement Factor (multiplied by) City Service Credit (multiplied by) Final Compensation (equals) Retirement Allowance.

Each service retirement allowance shall be allocated between the following two components:

- (1) An annuity which shall be the actuarial equivalent of the retiree's accumulated contributions at the time of retirement (excluding any additional contributions paid to provide a larger annuity at the time of retirement), calculated in accordance with approved actuarial methods as of the date of retirement; and
- (2) A pension, in the amount of the remaining balance, payable to the retiree on account of his or her service.

However, if the member who is retiring had previously been on disability retirement, his or her retirement allowance shall be reduced by an amount equal to the annuity which the total of the disability annuity payments made to him or her would have provided had they still been part of his or her accumulated contributions at the time of his or her service retirement unless, upon returning to service from disability retirement, a member elected, as provided by board rule, to make additional contributions in order to restore part or all of his or her annuity.

In no event shall any retirement allowance exceed 75% of final compensation. Further, all Internal Revenue Code limitations set forth in Section 4.1010 shall be applicable to benefits payable under Tier 2.

(h) **Disability Retirement.** A Tier 2 member shall be eligible for disability retirement benefits as provided in Section 4.1055. A Tier 2 member who is retired due

to disability and is subsequently returned to city employment, as provided in Subsection (b) or (c) of Section 4.1055, shall return to membership in Tier 2.

(i) **Cost of Living Adjustments.** A retired Tier 2 member shall be eligible for annual cost of living adjustments beginning two years after his or her retirement date. An eligible survivor of a Tier 2 member who died prior to retirement shall be eligible for annual cost of living adjustments beginning two years after the date of the member's death. An eligible survivor of a Tier 2 member who died after retirement shall be eligible for annual cost of living adjustments once two years have passed since the date of the member's retirement. Cost of living adjustments for Tier 2 benefits shall be determined in the same manner as provided in Section 4.1040 except that annual adjustments shall not exceed 2% and cost of living adjustments in excess of 2% shall not be carried over to another year.

(j) **Death Benefits.** The benefits payable to survivors and the conditions of entitlement for these benefits are not changed for Tier 2. The provisions of this section shall govern eligibility to retire, the calculation of final compensation and the calculation of the service retirement allowance when utilized to determine eligibility for survivor benefits and the amounts thereof.

(k) **Purchase of Service.** Members of Tier 2 may purchase service under Section 4.1052.1. Members of Tier 2 may purchase service under Section 4.1052.2 with the following limitations and modifications:

(1) Purchase of service shall be limited to a total of four years.

(2) The cost to purchase service shall not be determined under the provisions set forth in Section 4.1052.2, but shall be determined as follows:

The member's contribution rate of 11% shall be combined with the "City Contribution Rate" (as defined below) to establish the total percent of the member's compensation, at the time of purchase, for the period of service (not to exceed four years) that the member agrees to purchase.

As an example, assuming the member's compensation at the time of purchase is \$100,000 per year, the member's contribution rate is 11%, the City Contribution Rate is 20%, and the period of service to be purchased is two years, the cost would be determined as follows:

The 11% member contribution rate plus the 20% City Contribution Rate results in a total contribution rate of 31%. Thus, to purchase two years of service would cost the member a total of \$62,000 (31% of \$100,000 for each year of service purchased).

The "City Contribution Rate" shall be the average annual percent of payroll contributed by the City to the Retirement Fund (excluding contributions allocated

to fund the 401(h) account) based upon the City's payments for the seven years prior to the time of purchase.

(3) A written purchase agreement shall be entered into with the member. Payment may be made on a lump sum basis or by payroll deduction on a post-tax basis. Should the member elect to purchase 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 Board may establish a minimum biweekly payroll deduction and rules regarding the rollover of funds to pay for purchases.

(4) Purchased service shall only count for purposes of calculating the member's service retirement allowance and any survivor benefits payable upon the member's death, except such service shall not count for purposes of the limited pension provided in Section 4.1062(a)(2) nor for purposes of the Family Death Benefit Insurance Plan provided in Section 4.1063. Purchased service shall not count toward establishing the minimum ten years of continuous service required to qualify for retirement under Subsection (e), the minimum five years of continuous service required to qualify for retirement under Subsection (f), nor the minimum ten years of continuous service required to qualify for disability retirement. Further, purchased service shall not count as service or service credit for purpose of qualifying for any benefits provided in Chapter 11 of Division 4 of this Code.

(5) In the event that the member dies prior to retirement without an eligible survivor, the funds paid for the purchase of this service shall be considered to be a part of the member's accumulated contributions and shall be refunded accordingly, with interest thereon computed at the rate applicable to regular member contributions. Since purchased service does not count towards disability benefits, the funds paid for the purchase of this service shall be refunded to the member at the time of his or her disability retirement or may be applied by the member to provide a larger annuity. Should the member retire on a service retirement allowance without an eligible survivor, the portion of the purchase cost attributable to the survivor benefit shall be refunded or may be applied by the member to provide a larger annuity. In the event the purchased service would cause the member's service retirement allowance to exceed 75% of final compensation, the purchase cost attributable to any excess service that may not be used in the retirement formula shall be refunded or may be applied by the member to provide a larger annuity.

(6) The Board shall have the full authority granted in Subsection 4.1052.2(j) to administer the provisions of Section 4.1052.2 as amended herein.

(l) **Provisions Not Modified.** To the extent that any provisions governing the Los Angeles Employees' Retirement System have not been modified in this section

or elsewhere in this Code with regard to members of Tier 2, such shall apply to Tier 2 members the same as to all other members.

Sec. 2. The definition of "Unmodified Allowance" contained in Subsection (a) of Section 4.1044 of Chapter 10 of Division 4 is amended to read as follows:

"Unmodified Allowance" shall mean the total monthly retirement allowance payable to the member as of the date of retirement, calculated in accordance with the provisions of Sections 4.1020 or 4.1004(g) of this Chapter, in the case of service retirement, and Section 4.1055 of this Chapter, in case of disability retirement.

Sec. 3. The references to "Sections 4.1020 or 4.1055 of this chapter" in both Subsections (a) and (b) of Section 4.1053 in Chapter 10 of Division 4 are replaced with a reference to "Sections 4.1020, 4.1004(g) or 4.1055 of this Chapter."

Sec. 4. Subsection (a) of Section 4.1055 in Chapter 10 of Division 4 of the Los Angeles Administrative Code is amended to read as follows:

(a) **Applications for Disability Retirement.** A written application for disability retirement may be made at any time within, but not exceeding, one year after the discontinuance of the service of an employee or the termination of any duly authorized sick leave with pay, provided such incapacity has been continuous from the discontinuance of such service. Eligibility requirements differ, depending upon the member's tier, as follows:

(1) **Members of Tier 1.**

Any member who has five or more years of continuous service and who has become physically or mentally incapacitated and who is incapable, as a result thereof, of performing his or her duties, may be retired upon written application of such member, or of any person acting in his or her behalf, or of the head of the department in which such member is employed.

Any member retired on account of disability shall receive a disability retirement allowance which shall consist of:

An annuity which shall be the actuarial equivalent of his or her accumulated contributions at the time of his or her retirement calculated in accordance with approved actuarial methods as of the date of retirement; and

A pension which shall be in such an amount that the same, when added to that portion of his annuity not derived from additional contributions, shall be a sum which shall be equal to one-

seventieth (1/70) of his or her final compensation, as defined for the tier to which the member belongs, calculated as of the date of retirement, multiplied by the years of service of such member.

If the sum resulting from this calculation should be an amount which represents less than one-third of the member's final compensation, in that case the disability retirement allowance shall be one-third of his or her final compensation.

(2) Members of Tier 2.

Any member who has ten or more years of continuous service and who has become physically or mentally incapacitated and who is incapable, as a result thereof, of performing his or her duties, may be retired upon written application of such member, or of any person acting in his or her behalf, or of the head of the department in which such member is employed.

Any member retired on account of disability shall receive a disability retirement allowance which shall consist of:

An annuity which shall be the actuarial equivalent of his or her accumulated contributions at the time of his or her retirement calculated in accordance with approved actuarial methods as of the date of retirement; and

A pension which shall be in such an amount that the same, when added to that portion of his annuity not derived from additional contributions, shall be a sum which shall be equal to one-ninetieth (1/90) of his or her final compensation, as defined for the tier to which the member belongs, calculated as of the date of retirement, multiplied by the City service credit of such member.

Sec. 5. The second paragraph of Subsection (b) of Section 4.1055 of Chapter 10 of Division 4 is amended to read as follows:

Should any beneficiary re-enter the service of the City, as hereinabove provided, and be eligible for membership in the retirement system, he or she shall immediately upon such re-entry become a member of the tier of the Retirement System from which he or she was retired and shall make contributions accordingly. The balance, if any, of his or her accumulated contributions, after deducting the annuity payments made to him or her on account of a disability retirement allowance, shall be credited to the individual account of such member and he or she shall receive credit for services rendered prior to the date of such retirement order in the same manner as though such member had never been retired for disability. He or she may elect to make

additional contributions, on a post-tax basis, in order to replace some or all of the contributions used to fund the annuity portion of his or her disability pension so as to reduce or eliminate the reduction that would otherwise occur to his or her service retirement allowance pursuant to the provisions of Subsection (g) above. The Board shall adopt rules to allow members to make additional contributions for this purpose.

Sec. 6. The reference to "Section 4.1020 of this chapter" in Section 4.1062(a)(3) of Chapter 10 of Division 4 is replaced with a reference to "Section 4.1020 or 4.1004(e) of this chapter."

Sec. 7. The title for Chapter 11 of Division 4 of the Los Angeles Administrative Code is amended to read as follows:

HEALTH AND WELFARE PROGRAMS FOR RETIRED CIVILIAN EMPLOYEES

Sec. 8. The title for Article 1 of Chapter 11 of Division 4 of the Los Angeles Administrative Code is amended to read as follows:

PURPOSE AND ADMINISTRATION OF RETIRED EMPLOYEE HEALTH AND WELFARE PROGRAMS

Sec. 9. The title for Section 4.1100 in Article 1 of Chapter 11 of Division 4 is amended to read as follows:

Purpose of Programs.

Sec. 10. Article 1 of Chapter 11 of Division 4 of the Los Angeles Administrative Code is amended to add a new Section 4.1100.1 to read as follows:

Sec. 4.1100.1. Funding of Programs.

The health and welfare programs authorized in this Chapter, including all administrative costs, shall be funded solely from the 401(h) account within the Los Angeles City Employees' Retirement Fund established by Section 1154 of the Charter of the City of Los Angeles.

Sec. 11. Section 4.1101 of Article 1 of Chapter 11 of Division 4 is amended to read as follows:

Sec. 4.1101. Administration.

The health and welfare programs established in this Chapter shall be administered by the Board of Administration of the Los Angeles City Employees' Retirement System (Board). In furtherance thereof, the Board shall contract for suitable plans as authorized in Article 2 of this Chapter to be made available to former

employees retired pursuant to the provisions of Division 4, Chapter 10 of the Administration Code, and shall have the power to adopt such rules as it deems necessary to administer the health and welfare programs.

Sec. 12. Article 1 of Chapter 11 of Division 4 of the Los Angeles Administrative Code is amended to add a new Section 4.1101.1 to read as follows:

Sec. 4.1101.1. Definition of Health Service Credit.

For purposes of this Chapter, Health Service Credit shall include any service credit authorized in Chapter 10 of Division 4 of this Code that may be taken into consideration for purposes of qualifying for benefits provided in this Chapter, but shall exclude any buy back of service under Section 4.1052.1 or any other provision that prohibits purchased service or service credit from being used to qualify for benefits provided in this Chapter. Provided, however, that employees whose service credit is based on periods of part-time and less than full-time employment and who became members of the Los Angeles City Employees' Retirement System prior to April 23, 1990, shall receive full, rather than pro-rated, Health Service Credit for periods of service for which their service credit is pro-rated due to being less than full-time.

Sec. 13. Section 4.1102.3 in Article 2 of Chapter 11 of Division 4 is amended to read as follows:

Sec. 4.1102.3. Discretionary Benefit Changes to the Medical Plan Program and the Dental Plan Program.

The Board may make discretionary benefit changes to the Medical Plan Program and to the Dental Plan Program as long as these involve cost increases of no more than one-half of one percent in total annual premium cost. The Board may make changes greater than the above level as long as the changes are submitted to the City Council for review. Any increases that are not acted upon by the Council within 30 days after receipt of the report to Council for consideration of the increase are deemed approved. Should the Council reject the increase approved by the Board, the Council shall determine the amount, if any, by which the total annual premium cost shall be increased and shall adopt such change by resolution.

Sec. 14. A new Section 4.1102.4 is added to Article 2 of Chapter 11 of Division 4 to read as follows:

Sec. 4.1102.4 Establishment of Programs.

The following health and welfare programs are established herein:

(a) A Medical Plan Premium Subsidy Program which the Board is to administer in accordance with the provisions of Section 4.1101 and Article 3 of this Chapter.

(b) A Medicare Part B Reimbursement Program which the Board is to administer in accordance with the provisions of Section 4.1101 and Article 4 of this Chapter.

(c) A Dental Plan Premium Subsidy Program which the Board is to administer in accordance with the provisions of Section 4.1101 and Article 5 of this Chapter.

(d) A Medical Premium Reimbursement Program which the Board is to administer in accordance with the provisions of Section 4.1101 and Article 6 of this Chapter.

(e) A Survivor Medical Plan Premium Subsidy Program which the Board is to administer in accordance with the provisions of Section 4.1101 and Article 7 of this Chapter.

(f) A Reciprocal Subsidy Credit Program which the Board is to administer in accordance with the provisions of Section 4.1101 and Article 8 of this Chapter.

Sec. 15. Section 4.1103 of Article 3 of Chapter 11 of Division 4 of the Los Angeles Administrative Code is amended to read as follows:

Sec. 4.1103. Medical Plan Premium Subsidy

In order for a medical plan premium subsidy to be provided for a retired employee as hereinafter provided, the retiree must be enrolled in plan(s) administered by the Board as part of the Medical Plan Program.

Sec. 16. Section 4.1103.1 of Article 3, Chapter 11 of Division 4 of the Los Angeles Administrative Code is amended to read as follows:

Sec. 4.1103.1. Maximum Medical Plan Premium Subsidy.

(a) **For Tier 1 Retirees.** The maximum monthly medical plan premium subsidy, effective January 1, 2011, is \$1,190 for retired employees who are not retired from Tier 2. The Board may in its discretion, by resolution, change the maximum monthly amount of the medical plan premium subsidy provided to these retirees so long as any increase:

(1) Does not exceed the dollar increase in the Kaiser two-party non-Medicare Part A and B premium; and

(2) The average percentage increase for the first year of the increase and the preceding two years does not exceed the average assumed actuarial medical trend rates for the same period.

Any change made by the Board that exceeds the limits set forth in (a)(1) or (a)(2) herein must be submitted for Council review accompanied by an actuarial report. Any increases that are not acted upon by the Council within 30 days after receipt of the report to Council for consideration of the increase are deemed approved. Should the Council reject the subsidy set by the Board, the Council shall determine the amount, if any, by which the subsidy shall be increased and shall adopt such change by resolution.

(b) **For Tier 2 Retirees.** The maximum monthly medical plan premium subsidy, effective January 1, 2011, is \$596 for retired employees who are retired from Tier 2. The Board shall, by resolution, adjust the maximum monthly amount of the medical plan premium subsidy provided to these retirees to maintain a monthly amount equal to the single-party premium for the lowest cost standard plan, as defined by the Board, available to participants without Medicare Parts A and B.

Sec. 17. Section 4.1103.2 of Article 3 of Chapter 11 of Division 4 of the Los Angeles Administrative Code is amended to read as follows:

Sec. 4.1103.2. Eligibility for a Retired Employee Medical Plan Premium Subsidy.

Upon written application by an eligible retired employee and verification that the applicant is, and remains enrolled, to the extent of the retiree's entitlement, in Part B or Part A and Part B of Medicare, the following medical plan premium subsidy shall be paid:

(a) Those retired employees who are receiving a service retirement allowance or a disability retirement allowance, who do not qualify for benefits under Part A of Medicare, who have at least ten years of Health Service Credit and who are age fifty-five years or older, shall have paid to their approved medical plan carrier on their behalf the following amount:

Basic Monthly Subsidy: For ten years of Health Service Credit, 40% of the maximum monthly medical plan premium subsidy amount established pursuant to the provisions of Section 4.1103.1.

Additional Monthly Subsidy. For more than ten years of Health Service Credit:

- For Tier 1 retirees, add 4% of the maximum monthly medical plan premium subsidy to the Basic Monthly Subsidy for each whole year of Health Service Credit in excess of ten years.

- For Tier 2 retirees, add 3% of the maximum monthly medical plan premium subsidy to the Basic Monthly Subsidy for each whole year of Health Service Credit in excess of ten years.

Maximum Monthly Subsidy. No retired employee shall have paid to his or her medical plan carrier an amount exceeding the maximum monthly amount established pursuant to Section 4.1103.1 or receive an amount in excess of the premium of the plan in which they are enrolled.

Dependent Monthly Subsidy. For Tier 1 retirees, the monthly medical plan premium subsidy shall be applied first to the retiree's medical plan coverage with any balance applied toward the coverage of the retiree's dependent(s) under the same medical plan. None of the subsidy may be applied toward coverage for dependents of Tier 2 retirees.

(b) Those retired employees with at least ten years of Health Service Credit who are receiving an allowance pursuant to Chapter 10 of the Los Angeles Administrative Code and who qualify for benefits under Part A and Part B of Medicare, shall have paid to the medical plan carrier providing them with a plan supplemental to Medicare coverage the following amount: For ten years but less than fifteen years of Health Service Credit, 75% of the single-party monthly premium of the approved medical plan supplemental to Medicare coverage in which the retired employee is enrolled. For fifteen years or more but less than twenty years of Health Service Credit, 90% of the single-party monthly premium of the approved medical plan supplemental to Medicare coverage in which the retired employee is enrolled. For twenty or more years of Health Service Credit, 100% of the single-party monthly premium of the approved medical plan supplemental to Medicare coverage in which the retired employee is enrolled. Provided, however, that in no event shall the amount paid under this paragraph exceed the amount of the maximum monthly medical plan premium subsidy that the retired employee is eligible to receive as provided in Section 4.1103.1.

For Tier 1 retirees, the amount of the medical plan premium subsidy which is applied toward the coverage of dependents of a retiree enrolled in both Part A and Part B of Medicare shall not exceed that amount which may be applied toward the coverage of the dependent(s) of a Tier 1 retiree not enrolled in both Medicare Part A and Part B of Medicare and covered by the same medical plan and with the same years of Health Service Credit. None of the subsidy may be applied toward coverage for dependents of Tier 2 retirees.

(c) The Board may require retirees to enroll in and assign to LACERS any coverage that is provided by Medicare in order to qualify to receive the subsidy provided in this section.

(d) In no event shall the subsidy provided in this section, when added to any other medical plan subsidy provided by the Department of Water and Power or the Fire and Police Pension Plan, exceed the maximum amount established in Section 4.1103.1.

(e) Any member who retired pursuant to Section 4.1056.2(c) of this Code shall be eligible to receive the medical plan premium subsidy provided in this section.

(f) Any employee who was compulsorily retired under former Section 508A of the Charter shall continue to be eligible for the subsidy provided in this section, and any other benefits provided in this Chapter, pursuant to the provisions of this Chapter that were in effect on January 1, 2011.

Sec. 18. The title for Article 4 of Chapter 11 of Division 4 of the Los Angeles Administrative Code is amended to read as follows:

MEDICARE PART B REIMBURSEMENT PROGRAM

Sec 19. Section 4.1104 of Article 4 of Chapter 11 of Division 4 of the Los Angeles Administrative Code is amended to read as follows:

Sec. 4.1104. Reimbursement for Medicare Part B.

In order to participate in the Medicare Part B Reimbursement Program, a retired employee must be eligible to receive a medical plan premium subsidy, enrolled in Medicare Parts A and B, and enrolled in a medical plan supplemental to Medicare administered by the Board or a participant in the Medical Premium Reimbursement Program. Only retired employees may participate in this program.

Medicare Part B reimbursement shall be limited to the Medicare Part B basic premium (Medical Insurance). No reimbursement shall be paid for Medicare Part B costs that exceed the basic premium.

Sec. 20. Section 4.1104.1 of Article 4 of Chapter 11 of Division 4 of the Los Angeles Administrative Code is amended to read as follows:

Sec. 4.1104.1. Verification of Eligibility for Medicare Part B Reimbursement.

Reimbursement shall be paid to a retiree who qualifies to participate in this program when sufficient proof of the retiree's enrollment and coverage and of the premium's payment has been made as required by the Board.

Sec. 21. Section 4.1105 of Article 5 of Chapter 11 of Division 4 of the Los Angeles Administrative Code is amended to read as follows:

Sec. 4.1105. Dental Plan Premium Subsidy.

In order for a dental plan premium subsidy to be provided for a retired employee as hereafter provided, the retiree must be enrolled in a dental plan administered by the Board as part of the Dental Plan Program.

Sec 22. Section 4.1105.2 of Article 5 of Chapter 11 of Division 4 of the Los Angeles Administrative Code is amended to read as follows:

Sec. 4.1105.2 Eligibility for a Retired Employee Dental Plan Premium Subsidy.

(a) Those retired employees who are receiving a service retirement allowance or a disability retirement allowance, and who have at least ten years of Health Service Credit as members of the Los Angeles City Employees' Retirement System and who are age fifty-five years or older, shall have paid to their approved dental plan carrier on their behalf the following amount:

Basic Monthly Subsidy: For ten years of Health Service Credit, 40% of the maximum monthly dental plan premium subsidy amount established pursuant to the provisions of Section 4.1105.1.

Additional Monthly Subsidy. For more than ten years of Health Service Credit:

- For Tier 1 retirees, add 4% of the maximum monthly dental plan premium subsidy to the Basic Monthly Subsidy for each whole year of Health Service Credit in excess of ten years.

- For Tier 2 retirees, add 3% of the maximum monthly dental plan premium subsidy to the Basic Monthly Subsidy for each whole year of Health Service Credit in excess of ten years.

Maximum Monthly Subsidy. No retired employee shall have paid to his or her dental plan carrier an amount exceeding the maximum monthly amount established pursuant to Section 4.1105.1 or receive an amount in excess of the premium of the plan in which they are enrolled.

Dependent Monthly Subsidy. There is no dental plan premium subsidy for dependents.

(b) In no event shall the subsidy provided in this section, when added to any other dental plan subsidy provided by the Department of Water and Power or the Fire and Police Pension Plan, exceed the maximum subsidy established in Section 4.1105.1.

(c) Any member who retired pursuant to Section 4.1056.2(c) of this Code shall be eligible to receive the dental plan premium subsidy provided in this section.

Sec. 23. The title for Article 6 of Chapter 11 of Title 4 of the Los Angeles Administrative Code is amended to read as follows:

MEDICAL PREMIUM REIMBURSEMENT PROGRAM

Sec. 24. Section 4.1106 of Article 6 of Chapter 11 of Division 4 of the Los Angeles Administrative Code is amended to read as follows:

Sec. 4.1106. Medical Premium Reimbursement Program.

(a) Upon written application and verification, as required by the Board, those retired employees who are receiving an allowance pursuant to Chapter 10 of Division 4 of this Code and who have at least ten years of Health Service Credit, are age fifty-five years or older, and reside more than three months of the year:

(1) outside the state of California, but within the United States or its territories; or

(2) in the state of California, but not within a LACERS administered HMO medical plan zip code service area,

and are enrolled in a federally qualified HMO or a state regulated health insurance plan, shall be eligible for the medical plan premium reimbursement, as follows:

1. NOT ENROLLED IN MEDICARE PART A AND PART B

A. Basic Monthly Reimbursement: For ten years of Health Service Credit, 40% of the maximum monthly medical plan premium reimbursement amount established pursuant to the provisions of Subsection (b) herein.

B. Additional Monthly Reimbursement: For more than ten years of Health Service Credit:

- For Tier 1 retirees, add 4% of the maximum monthly medical plan premium reimbursement amount to the Basic Monthly Reimbursement for each whole year of Health Service Credit in excess of ten years.

- For Tier 2 retirees, add 3% of the maximum monthly medical plan premium reimbursement amount to the Basic Monthly Reimbursement for each whole year of Health Service Credit in excess of ten years.

Maximum Monthly Subsidy. The amount paid shall not exceed the maximum monthly medical plan premium reimbursement established pursuant to the provisions of Subsection (b) herein or the amount of the plan premium being reimbursed.

Dependent Reimbursement. For Tier 1 retirees, the monthly medical plan premium reimbursement shall be applied first to the retiree's medical plan coverage with any balance applied

toward the coverage of the retiree's dependent(s) under the same medical plan. Premium reimbursement may not be applied toward coverage for dependents of Tier 2 retirees.

2. ENROLLED IN MEDICARE PART A AND PART B

For ten years or more, but less than 15 years of Health Service Credit, 75% of the monthly medical plan premium reimbursement amount established pursuant to the provisions of Subsection (c) herein. For 15 years or more but less than 20 years of Health Service Credit, 90% of the monthly medical plan premium reimbursement amount established pursuant to the provisions of Subsection (c) herein. For 20 or more years of Health Service Credit, 100% of the monthly medical plan premium reimbursement amount established pursuant to the provisions of Subsection (c) herein.

The Board shall establish the reimbursement policy for dependents of Tier 1 members, but there shall be no reimbursement for dependents of Tier 2 members.

(b) The Board shall set the maximum medical plan premium reimbursement for non-Medicare eligible retirees in the same manner as in Section 4.1103.1 of this Chapter.

(c) Effective January 1, 2011, the maximum monthly medical plan premium reimbursement for Medicare eligible retirees shall be \$480.41. The Board, in its discretion, may by resolution increase the monthly amount of medical plan premium reimbursement of Medicare eligible retirees provided that the amount set may not exceed the maximum set forth in Section 4.1103.1.

(d) In no event shall the reimbursement provided in this section, when added to any other medical plan subsidy provided by the Department of Water and Power or the Fire and Police Pension Plan, exceed the maximum amount established in Subsection (c) herein.

(e) Any member who retired pursuant to Section 4.1056.2(c) of this Code shall be eligible to receive the medical plan premium reimbursement provided in this section.

Sec. 25. The title for Article 7 of Chapter 11 of Title 4 of the Los Angeles Administrative Code is amended to read as follows:

SURVIVOR MEDICAL PLAN PREMIUM SUBSIDY

Sec. 26. Section 4.1107 of Article 7 of Chapter 11 of Division 4 of the Los Angeles Administrative Code is amended to read as follows:

Sec. 4.1107. Survivor Medical Plan Premium Subsidy.

(a) A Survivor Medical Plan Premium Subsidy shall be provided to the following survivors (Eligible Survivors):

(1) A surviving spouse who is receiving a monthly benefit as either an eligible spouse under Section 4.1044 of this Code, an eligible surviving spouse under Section 4.1054 of this Code, or a surviving spouse who elected to receive the benefit provided in Subsection 4.1062(a)(3) of this Code, shall become eligible for the medical plan premium subsidy provided in this section either on the date of the deceased's death, if the deceased was eligible for a medical subsidy at that time, or on the date the deceased would have become eligible for a medical subsidy had he or she not died.

(2) A surviving domestic partner who is receiving a monthly benefit pursuant to Subsection 4.1044.4(a)(1) or 4.1044(a)(2) of this Code or who elected to receive the monthly benefit provided in Subsection 4.1062(a)(3) of this Code, shall become eligible for the medical plan premium subsidy provided in this section either on the date of the deceased's death, if the deceased was eligible for a medical subsidy at that time, or on the date the deceased would have become eligible for a medical subsidy had he or she not died.

Provided, however, that a surviving spouse or domestic partner who would not have been eligible for a survivor benefit except for an election made by a retiree to provide a continuance benefit funded solely by a reduction in his or her retirement allowance, shall not be eligible for the survivor benefit provided in this section.

(b) In order to receive the medical plan premium subsidy provided in this section, the eligible survivor must be enrolled in a medical plan administered by the Board.

(c) A survivor who is eligible for the subsidy provided in this section may qualify to participate in the Medical Premium Reimbursement Program pursuant to rules to be adopted by the Board.

(d) The medical plan premium subsidy for an eligible survivor who is under age 65 or who is 65 or older and only enrolled in Medicare Part B shall be:

Basic Monthly Subsidy: For ten years of the member's Health Service Credit, 40% of the maximum monthly medical plan premium subsidy amount established in this subsection.

Additional Monthly Subsidy. For more than ten years of the member's Health Service Credit:

- For survivors of Tier 1 members, add 4% of the maximum monthly medical plan premium subsidy to the Basic Monthly Subsidy for each whole year of Health Service Credit in excess of ten years.

- For survivors of Tier 2 members, add 3% of the maximum monthly medical plan premium subsidy to the Basic Monthly Subsidy for each whole year of Health Service Credit in excess of ten years.

Maximum Monthly Subsidy. The maximum monthly medical plan premium subsidy shall be the single-party premium for the lowest cost plan available to participants without Medicare Parts A and B.

(e) The medical plan premium subsidy for an eligible survivor who is age 65 or older with both Parts A and B of Medicare shall be:

For ten years but less than fifteen years of the member's Health Service Credit, 75% of the single-party monthly premium of the approved medical plan supplemental to Medicare coverage in which the eligible survivor is enrolled.

For fifteen years but less than twenty years of the member's Health Service Credit, 90% of the single-party monthly premium of the approved medical plan supplemental to Medicare coverage in which the eligible survivor is enrolled.

For twenty or more years of the member's Health Service Credit, 100% of the single-party monthly premium of the approved medical plan supplemental to Medicare coverage in which the eligible survivor is enrolled.

(f) An eligible survivor who is age 65 or older must enroll in Medicare as required by the Board.

(g) This benefit was enacted effective December 14, 2001, and shall not be paid for any period prior to that time.

Sec. 27. Section 4.1107.1 of Article 7 of Chapter 11 of Division 4 of the Los Angeles Administrative Code is deleted.

Sec. 28. The City Clerk shall certify to the passage of this ordinance and have it published in accordance with Council policy, either in a daily newspaper circulated in the City of Los Angeles or by posting for ten days in three public places in the City of Los Angeles: one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall; one copy on the bulletin board located at the Main Street entrance to Los Angeles City Hall East; and one copy on the bulletin board located at the Temple Street entrance to the Los Angeles County Hall of Records.

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 its members, at its meeting of _____.

JUNE LAGMAY, City Clerk

By _____
Deputy

Approved _____

Mayor

Approved as to Form and Legality

CARMEN A. TRUTANICH, City Attorney

By  (PBE)
MARY JO CURWEN
Deputy City Attorney

Date March 15, 2011

Council File No. 10-1250