AN ORDINANCE AMENDING CHAPTER 11.5 OF DIVISION 4 OF THE LOS ANGELES ADMINISTRATIVE CODE TO FREEZE THE MAXIMUM MONTHLY MEDICAL PLAN PREMIUM SUBSIDIES AND MEDICAL PLAN PREMIUM REIMBURSEMENTS AT THE AMOUNTS IN EFFECT FOR EMPLOYEES RETIRING ON OR AFTER JULY 1, 2011, OR ENTERING DROP ON OR AFTER MAY 27, 2011

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

Honorable Members:

Pursuant to the request of the Executive Employee Relations Committee (EERC), as communicated to us by the City Administrative Officer, this Office has prepared and now transmits for your consideration the enclosed revised draft ordinance.

On May 24, 2011, this Office transmitted an ordinance to your Honorable Body, approved as to form and legality, to amend the Los Angeles Administrative Code (LAAC) to freeze the maximum monthly medical plan premium subsidy of $1,097.41 under LAAC Sections 4.1154 (e), 4.1161 (b), and 4.1163 (e) for members of the Los Angeles City Fire and Police Pension Plan (LAFPP) who retired or enrolled in the Deferred Retirement Option Plan (DROP), pursuant to Chapter 21 of Division 4 of the Los Angeles Administrative Code on or after July 1, 2011. At its meeting on that same day, the EERC: (1) directed that this Office revise the draft ordinance freezing the
medical plan premium reimbursement amounts for LAFPP members who retire on or after July 1, 2011, and their surviving spouses and domestic partners, including those 65 and older who are enrolled in Medicare Parts A and B, in addition to freezing the medical plan premium subsidy for non-Medicare eligible members as provided for in the original ordinance, and (2) directed also that the freeze be applied to those members who enroll for the DROP Program on or after May 27, 2011, the anticipated date of first reading of the draft ordinance. The freeze is accomplished by: (a) limiting the ability of the LAFPP Board to increase the medical plan premium subsidy paid to retired members and their survivors for members entering the DROP on or after May 27, 2011, and to those retiring on or after July 1, 2011; (b) freezing the premium amounts paid to medical plan carriers on behalf of retired members and their survivors for members entering (DROP) on or after May 27, 2011; and (c) freezing the premium amounts paid to medical plan carriers on behalf of retired members and their survivors for members retiring on or after July 1, 2011. Currently, the LAFPP Board possesses the discretion to increase within prescribed limitations the subsidy for all retired members, regardless of the member’s retirement date or DROP entry date, and the amounts paid to medical plan carriers on behalf of retired members and their survivors are tied to actual premium amounts.

The ordinance has not been approved as to form and legality for the reasons discussed in our confidential memorandum transmitted to the EERC contemporaneously with this report.

Charter Section 1618(b) 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), the ordinance is effective upon publication. Additionally, because this 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.

A copy of the draft ordinance was sent pursuant to Council Rule 38 to the Los Angeles City Fire and Police Pension Plan and to the Office of the City Administrative Officer with a request that they provide any comments they may have directly to your Honorable Body when this matter is considered.
If you have any questions regarding this matter, please contact Sr. Assistant City Attorney Theresa Stamus at (213) 978-4400. She or another member of this 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

cc: Antonio R. Villaraigosa, Mayor
Miguel A. Santana, City Administrative Officer
Los Angeles City Fire and Police Pension Plan
Board of Administration of LAFPP
ORDINANCE NO. ________________

An ordinance amending Sections 4.1154, 4.1161, and 4.1163 of Chapter 11.5 of Division 4 of the Los Angeles Administrative Code to freeze the maximum monthly medical plan premium subsidy for members of the Fire and Police Pension Plan who enter the Deferred Retirement Option Plan on or after May 27, 2011, or who retire on or after July 1, 2011.

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

Section 1. A new paragraph at the end of Subsection (c) of Section 4.1154 of the Los Angeles Administrative Code is added to read as follows:

Effective July 1, 2011, no increases in the amounts paid to the medical plan carriers under this Subsection (c) shall be provided on behalf of any member entered into the deferred retirement option plan (DROP) pursuant to Chapter 21 of Division 4 of the Los Angeles Administrative Code on or after May 27, 2011, or retired on or after July 1, 2011, under the provisions of Sections 1304, 1310, 1312, 1408, 1412(a), 1412(b), 1504, 1506(a), 1506(b), 1604, 1606(a), 1606(b), 1704, 1707(a), or 1706(b) of the Charter or Sections 4.2004, 4.2006(a), or 4.2006(b) of the Los Angeles Administrative Code.

Section 2. The first paragraph of Subsection (e) of Section 4.1154 of the Los Angeles Administrative Code is amended in its entirety to read as follows:

(e) The maximum monthly subsidy towards the health insurance premium, effective July 1, 2011, but paid from the June, 2011 payroll, is $1,097.41 for all retired members. Beginning July 1, 2011, the Board is authorized to make discretionary changes on an annual basis to the maximum monthly subsidy provided to members entered into the Deferred Retirement Option Plan (DROP) pursuant to Chapter 21 of Division 4 of the Los Angeles Administrative Code on or before May 26, 2011, or retired on or before June 30, 2011, under the provisions of Sections 1304, 1310, 1312, 1408, 1412(a), 1412(b), 1504, 1506(a), 1506(b), 1604, 1606(a), 1606(b), 1704, 1707(a), or 1706(b) of the Charter or Sections 4.2004, 4.2006(a), or 4.2006(b) of the Los Angeles Administrative Code, so long as no increase exceeds the lesser of a 7% increase or the actuarial assumed rate for medical inflation for pre-65 health benefits established by the Board for the applicable fiscal year.

Section 3. Subsection (e) of Section 4.1154 of the Los Angeles Administrative Code is amended to add the following paragraph at the end of that section:

Effective July 1, 2011, no increases in the maximum monthly subsidy shall be provided to any member entered into the Deferred Retirement Option Plan (DROP) pursuant to Chapter 21 of Division 4 of the Los Angeles Administrative
Code on or after May 27, 2011 or retired, on or after July 1, 2011, under the provisions of Sections 1304, 1310, 1312, 1408, 1412(a), 1412(b), 1504, 1506(a), 1506(b), 1604, 1606(a), 1606(b), 1704, 1707(a), or 1706(b) of the Charter orSections 4.2004, 4.2006(a), or 4.2006(b) of the Los Angeles Administrative Code.

Section 4. A new paragraph at the end of Subsection (b) of Section 4.1161 of the Los Angeles Administrative Code is added to read as follows:

Effective July 1, 2011, no increases in the maximum subsidy amount paid toward the health insurance premium under this Subsection (b) shall be provided on behalf of any survivor of a member entered into the Deferred Retirement Option Plan (DROP) pursuant to Chapter 21 of Division 4 of the Los Angeles Administrative Code on or after May 27, 2011, or retired on or after July 1, 2011, under the provisions of Sections 1304, 1310, 1312, 1408, 1412(a), 1412(b), 1504, 1506(a), 1506(b), 1604, 1606(a), 1606(b), 1704, 1707(a), or 1706(b) of the Charter or Sections 4.2004, 4.2006(a), or 4.2006(b) of the Los Angeles Administrative Code or who dies on or after July 1, 2011, without having retired or entered into DROP.

Section 5. A new paragraph at the end of Subdivision (e) of Section 4.1161 of the Los Angeles Administrative Code is added to read as follows:

Effective July 1, 2011, no increases in the amounts paid to the medical plan carriers under this Subsection (e) shall be provided on behalf of any survivor of a member entered into the Deferred Retirement Option Plan (DROP) pursuant to Chapter 21 of Division 4 of the Los Angeles Administrative Code on or after May 27, 2011, or retired on or after July 1, 2011, under the provisions of Sections 1304, 1310, 1312, 1408, 1412(a), 1412(b), 1504, 1506(a), 1506(b), 1604, 1606(a), 1606(b), 1704, 1707(a), or 1706(b) of the Charter or Sections 4.2004, 4.2006(a), or 4.2006(b) of the Los Angeles Administrative Code or who dies on or after July 1, 2011, without having retired or entered into DROP.

Section 6. A new subsection (e) is added to Section 4.1163 of the Los Angeles Administrative Code to read as follows:

Effective July 1, 2011, no increases in the maximum reimbursement amount paid to retired members or their qualified surviving spouses or qualified domestic partners pursuant to subsection (b)(1) of this section shall be provided to any member, or to any qualified surviving spouse or qualified domestic partner of a member, entered into the Deferred Retirement Option Plan (DROP) pursuant to Chapter 21 of Division 4 of the Los Angeles Administrative Code on or after May 27, 2011, or retired on or after July 1, 2011, under the provisions of Sections 1304, 1310, 1312, 1408, 1412(a), 1412(b), 1504, 1506(a), 1506(b), 1604, 1606(a), 1606(b), 1704, 1707(a), or 1706(b) of the Charter or
Sections 4.2004, 4.2006(a), or 4.2006(b) of the Los Angeles Administrative Code or who dies on or after July 1, 2011, without having retired or entered into DROP.

Section 7. Pursuant to Charter Section 252(i), this ordinance shall take effect upon publication.
Section 8. 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 the 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 this ordinance was passed by the Council of the City of Los Angeles, by a vote of not less than two-thirds of all of 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 ________________________________

Date ________________________________

File No. ________________________________