



**MICHAEL N. FEUER**  
CITY ATTORNEY

REPORT NO. **R 17 - 0043**  
**FEB 09 2017**

**REPORT RE:**

**DRAFT ORDINANCE AMENDING CHAPTERS 10, 11, 11.5, 20, 21 AND 22 OF  
DIVISION 4 OF THE LOS ANGELES ADMINISTRATIVE CODE TO AUTHORIZE  
AIRPORT PEACE OFFICERS TO TRANSFER TO TIER 6 OF THE FIRE AND POLICE  
PENSION PLAN AT THEIR OWN EXPENSE OR RECEIVE ENHANCED BENEFITS  
IN THE LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM**

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. 17-0052

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 implements Measure SSS, which was approved by the electorate at the November 8, 2016, State General Election. Specifically, under the authority provided by the new Charter Section 1704, the draft ordinance amends the Administrative Code to authorize procedures for sworn peace officers employed by the Department of Airports to transfer to Tier 6 of the Los Angeles Fire and Police Pension plan (LAFPP) at their own expense or to remain in the Los Angeles City Employees' Retirement System (LACERS) with enhanced benefits.<sup>1</sup> The draft ordinance would also make technical changes to the LAFPP and LACERS plans.

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<sup>1</sup> Exhibit 1 to this report lists the class titles and class codes of all affected employees.

### Summary of Ordinance Provisions

Section 3 of the draft ordinance sets forth requirements for certain Airport peace officers to elect to transfer to LAFPP Tier 6 or remain in LACERS. Every employee eligible to transfer must attend a mandatory counseling session and, within 14 days of that counseling session, submit a written election form stating his or her irrevocable decision to transfer or remain. Airport Safety Officers currently serving at Ontario Airport have been provided the opportunity to complete the Fire Department drill tower and, upon graduation, become firefighters employed by the Fire Department. Under Charter Section 1700(b), persons appointed to serve as firefighters for the Fire Department on or after July 1, 2011, automatically become members of LAFPP Tier 6 upon graduation from the drill tower. Therefore, Airport Safety Officers must make an election to transfer or remain before graduation. This group will be given priority in the mandatory counseling to ensure that they have adequate time to make an informed and timely decision. For every Airport Safety Officer who elects to transfer to LAFPP, the effective transfer date will be the date of his or her graduation from the drill tower. For all other eligible employees, including Airport Safety Officers who do not graduate from the Fire Department drill tower or who choose to remain in LACERS, the election will be effective on January 7, 2018. As described below, the draft ordinance is accompanied by an actuarial report prepared by the Segal Company, which shows the estimated cost of these proposed changes.

Section 40 of the draft ordinance establishes a service purchase program for Airport peace officers who elect to transfer to LAFPP. Under this program, all employees who elect to transfer to LAFPP must purchase all of their prior LACERS service at full actuarial cost. The draft ordinance includes the methodology that will be used to calculate the cost for each employee. During the mandatory counseling sessions described above, these individual calculations will be provided to each employee to inform his or her irrevocable decision whether to transfer or remain.

Sections 1, 4, 6, 8-11 and 16 of the draft ordinance create enhanced benefits for those Airport peace officers who elect to remain in LACERS. The small number of eligible Airport peace officers currently enrolled in LACERS Tier 3 will be automatically transferred to LACERS Tier 1 on January 7, 2018, if they elect to remain in LACERS. Employees who remain in LACERS will be eligible for Tier 1 LACERS benefits with the following enhancements: (1) a disability retirement benefit equivalent to LAFPP Tier 6; (2) a service retirement allowance calculated using a 2.3% retirement factor; and (3) death and survivorship benefits equivalent to LAFPP Tier 6. All enhanced benefits are effective on January 7, 2018. For an employee to be eligible for the enhanced benefits, however, he or she must make a mandatory additional contribution payment of \$5,700 within one year of that effective date or prior to the employee's retirement, whichever is earlier. On January 8, 2019, employees who failed to make this additional contribution payment will forfeit eligibility for the enhanced benefits and revert to status as Tier 1 members. The Department of Airports will pay the remaining cost of providing the

enhanced benefits. As described below, the draft ordinance is accompanied by a second actuarial report prepared by the Segal Company, which shows the estimated cost of these proposed modifications.

Sections 2, 5, 7, 12-15 and 17-28 of the draft ordinance make technical amendments to the LACERS plan. These amendments include language authorizing the LACERS Board of Administration to utilize third-party health plan administrators such as healthcare exchanges in addition to contracting directly with health plans for group coverage. Additionally, the draft ordinance would authorize a small, closed group of LAFPP retirees—who received health coverage through plans sponsored by LACERS since 1999 and previously sponsored by the Personnel Department—to continue to receive coverage through LACERS. All other LAFPP retirees will be ineligible for LACERS-sponsored health plans after December 31, 2017.

Sections 29 through 39 of the draft ordinance make technical amendments to the LAFPP plan. These amendments include language authorizing the Board of Fire and Pension Commissioners to: (1) provide health insurance premium reimbursement benefits to LAFPP retirees who do not, or cannot, participate in the group plans currently available; (2) contract directly with health plans for group coverage; and (3) utilize third-party health plan administrators such as healthcare exchanges. Additionally, the draft ordinance clarifies that because the election period for members of Tiers 2, 3 and 4 to transfer to Tier 5 closed on December 31, 2002, the Board of Fire and Police Pension Commissioners has no discretionary authority to permit any such transfers requested after that date. Finally, because Charter Section 1222 and Administrative Code Section 4.2014 require the City to pay one percent of the Tier 5 member contribution rate when the Plan is at least one hundred percent actuarially funded, the draft ordinance confirms that the inclusion of Airport peace officers in Tier 6 will have no impact on the member contribution rate or funded status of Tier 5.

#### Government Code Section 7507 and Charter Section 1168 Actuarial Statement Requirements

Because this draft ordinance modifies retirement benefits under both the LAFPP and LACERS plans, 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. Charter Section 1168(b) also 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. To satisfy these requirements, enrolled actuaries at the Segal Company prepared two actuarial statements that are being presented to Council in connection with this draft ordinance: (1) a statement as to the impact on future costs of allowing certain Airport peace officers to transfer to LAFPP Tier 6 from LACERS and enrolling new Airport peace officers in LAFPP Tier 6; and (2) a statement as to the cost

of enhancing benefits for sworn Airport peace officers who choose to remain in LACERS.

Charter Section 1168 Requirements for Final Adoption and Effective Date

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. Final adoption can only take place after a public hearing has been held and at least 30 days following the first presentation of the ordinance. Pursuant to Charter Section 252(i) and Charter Section 1168(b), the ordinance is effective upon publication, but 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, LAFPP, the Department of Airports, 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. 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,

MICHAEL N. FEUER, City Attorney

By 

DAVID J. MICHAELSON  
Chief Assistant City Attorney

DM:AF:pj  
Transmittal

## **Exhibit 1**

### **CITY ATTORNEY REPORT RE: DRAFT ORDINANCE AMENDING CHAPTERS 10, 11, 11.5, 20, 21, AND 22 OF DIVISION 4 OF THE ADMINISTRATIVE CODE TO AUTHORIZE AIRPORT PEACE OFFICERS TO TRANSFER TO TIER 6 OF LAFPP AT THEIR OWN EXPENSE OR RECEIVE ENHANCED BENEFITS IN LACERS**

This following is a list of class titles and class codes, grouped by Memorandum of Understanding (MOU), which would be covered by the proposed ordinance.

#### MOU 30

Airport Police Officer I (3225-1)  
Airport Police Officer II (3225-2)  
Airport Police Officer III (3225-3)  
Airport Safety Officer (3202-0)  
Airport Safety Officer I (3202-1)  
Airport Safety Officer II (3202-2)  
Airport Police Specialist (3236)

#### MOU 39

Airport Police Sergeant (3226-0)  
Airport Police Sergeant I (3226-1)  
Airport Police Sergeant II (3226-2)  
Airport Police Lieutenant (3227)  
Senior Airport Safety Officer (3203)  
Senior Airport Safety Officer (3203-9)

#### MOU 40

Airport Police Captain (3228-0)  
Airport Police Captain I (3228-1)  
Airport Police Captain II (3228-2)

#### Non-Represented (MOU 00)

Chief Airport Safety Officer (3205)  
Assistant Airport Police Chief (3234)  
Airport Police Chief (3232)