

ITEM No. 16 - A

M O T I O N

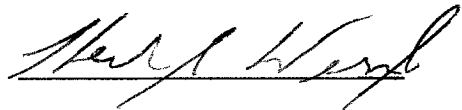
I MOVE that the matter of the Communications from the City Administrative Officer and City Attorney and Ordinance First Consideration relative to amending the Deferred Retirement Option Plan (DROP) for police officers, firefighters, harbor police officers and airport police officers, Item No. 16 on today's Council Agenda (CF 18-0117), **BE AMENDED** to PRESENT the attached ordinance (dated November 30, 2018) in lieu of the ordinance attached to the File, in order to change the DROP entry date from January 1, 2019 to February 1, 2019 the effective date of the suspension of participation provisions (Ordinance Sections 4.(d), and 11.(a)).

PRESENTED BY:



PAUL KORETZ
Councilman, 5th District

SECONDED BY:



December 4, 2018

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TRANSMITTAL

ORDINANCE NO. _____

An ordinance amending Sections 4.2100, 4.2101, 4.2102, 4.2103 and 4.2105 of Chapter 21, Division 4 of the Los Angeles Administrative Code and adding Section 4.2110 to modify the terms and conditions of participation in the Deferred Retirement Option Plan.

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

Section 1. Paragraphs two and three of Subsection (c) of Section 4.2100 of the Los Angeles Administrative Code are amended to read as follows:

The City has the right to complete an actuarial study of DROP in order to evaluate whether DROP continues to be cost neutral and to review DROP to determine whether DROP is meeting the City's DROP goals. An actuarial study and review of the City's DROP goals shall be completed by the City at least every five (5) years or more often. If the City determines changes to DROP are needed based on this review, the appropriate labor organizations shall meet and confer with the City immediately upon demand. Once the City and the labor organizations reach agreement, DROP shall forthwith be amended in accord with that agreement unless no changes to DROP are required.

If the City and the labor organizations do not agree upon changes to DROP within one hundred eighty (180) days of the date of the City's demand, then the City Administrative Officer shall so notify the Fire and Police Pension Plan in writing. However, if the City and the involved labor organizations mutually agree to extend negotiations for an additional period of time, not to exceed one hundred eighty (180) days, then the City Administrative Officer shall not provide this notice to the Fire and Police Pension Plan until the additional time has expired without the parties reaching agreement. Upon receipt of this written notice from the City Administrative Officer, the Fire and Police Pension Plan shall no longer allow members to enter DROP until the effective date of an ordinance enacted by the City Council amending DROP to allow new members to enter DROP while maintaining cost neutrality and otherwise meeting the City's DROP goals or until the City Administrative Officer notifies the Fire and Police Pension Plan in writing that the City has determined that no modifications to DROP are necessary at that time.

Sec. 2. Subsection (b) of Section 4.2101 of the Los Angeles Administrative Code is amended in its entirety to read as follows:

(b) In order to enter DROP, members must be eligible for an unreduced retirement in one of the pension tiers and meet the following minimum criteria:

- Tier 2: 25 years of service
- Tier 3: 25 years of service and age 50
- Tier 4: 25 years of service
- Tier 5: 25 years of service and age 50
- Tier 6: 25 years of service and age 50

Sec. 3. Subsections (c) and (d) of Section 4.2101 of the Los Angeles Administrative Code are re-lettered as Subsections (e) and (f), respectively.

Sec. 4. New Subsections (c) and (d) are added to Section 4.2101 of the Los Angeles Administrative Code to read as follows:

(c) Effective November 1, 2008, a member must also be on active duty status on the DROP entry date. For purposes of this provision active duty status shall include members working on light-duty status, but exclude members on sick, vacation, injured-on-duty, administrative leave, and all other types of non-working status. The City Administrative Officer shall have the authority to determine which payroll codes constitute active duty status for purposes of this provision and shall notify the Board accordingly.

(d) Any member who enters DROP on or after February 1, 2019, is subject to the suspension of participation provisions of Section 4.2110 of this Chapter.

Sec. 5. Subdivision (1) of Subsection (e) of Section 4.2101 of the Los Angeles Administrative Code is amended to read as follows:

(1) Determine a beginning date upon which to enter DROP, consistent with the rules set forth by the Board of Fire and Police Pension Commissioners ("Board") and agree to terminate employment as a sworn member with the City of Los Angeles on the last day of their participation in DROP. The beginning date for DROP participation may not be backdated. Members may participate in DROP for a maximum of five (5) years, or sixty (60) months, regardless of when they enter DROP. In no event shall a member be permitted to participate in DROP more than sixty (60) consecutive months after the DROP entry date, unless the member is eligible to extend the participation period as provided in Section 4.2110(d).

Sec. 6. Subdivisions (3), (4) and (5) of Subsection (e) of Section 4.2101 of the Los Angeles Administrative Code are amended to read as follows:

(3) Agree the member's service retirement formula, including years of service and pension base, and all other eligibility conditions, including eligibility for survivor benefits, will be frozen at the time the member enters DROP.

(a) Tier 2 Members shall purchase Lost Service Time prior to entering DROP in order for that time to be counted toward the service pension.

(b) Tier 3, 4, 5 and 6 Members shall purchase eligible State Rate Workers' Compensation Time, Prior Service Time, and Academy Time prior to entering DROP in order for that time to be counted toward the service pension.

(4) Have an amount equal to one hundred percent (100%) of the service retirement benefit the member would have received if he or she had retired at the time of entering DROP placed in a nominal account ("DROP account"). This amount shall not include credit for any calendar month for which participation has been suspended.

(5) Receive benefits from the Fire and Police Pension Plan upon termination of City employment as a sworn member of the Fire, Police, Harbor, or Airport Department at the time and in the manner provided in this Chapter.

Sec. 7. Subdivision (1) of Subsection (c) of Section 4.2102 of the Los Angeles Administrative Code is amended to read as follows:

(1) an amount, credited monthly, which is equal to the monthly service pension to which the member would be entitled using the formula in the Tier in which the member is enrolled on the effective date of the member's entry into DROP. Credit shall not be awarded for any calendar month when participation in DROP has been suspended pursuant to Section 4.2110.

Sec. 8. Subdivision (3) of Subsection (c) of Section 4.2102 of the Los Angeles Administrative Code is amended to read as follows:

(3) interest in the amount of five percent (5%) annually. Interest will be credited to member DROP accounts semi-annually on the dates specified by the Board. No interest shall accrue after a member terminates DROP participation. Notwithstanding whether or not participation has ever been suspended or a member is eligible to extend the original participation period, no interest shall accrue nor be credited after completion of the sixtieth (60th) month following the member's DROP entry date. This 60-month limit on interest shall apply to all DROP participants.

Sec. 9. Subsections (f), (g) and (h) of Section 4.2103 of the Los Angeles Administrative Code are amended to read as follows:

(f) Members on IOD status at the conclusion of their final month of participation must leave DROP but are permitted to continue on IOD status with their Department. Those members are not eligible to receive distribution of their DROP account until their retirement status is determined. If the member takes a disability retirement, the member shall forfeit his or her DROP account. If the member elects to take a service retirement and distribution of his or her DROP account, the member shall be required to repay any IOD pay earned after the last day of the member's participation in DROP.

(g) In the event of a member's service connected death during the period of his or her DROP participation, the member's surviving spouse or domestic partner shall have the right to elect to forfeit the member's DROP account and collect survivorship benefits as if the member had never entered DROP, provided that the election must be made no later than one hundred eighty (180) days following the member's death. For all other deaths occurring while a member is participating in DROP, the normal post-retirement continuance benefits of the member's Tier will be available plus the proceeds of the member's DROP account.

(h) A member must be married or have a domestic partnership affidavit on file with the Fire and Police Pension Plan for at least one year prior to his or her entrance into DROP for his or her surviving spouse or domestic partner to be eligible for qualified surviving spouse/qualified surviving domestic partner pension benefits.

Sec. 10. Subdivision (1) of Subsection (a) of Section 4.2105 of the Los Angeles Administrative Code is amended to read as follows:

(1) upon the member's completion of the DROP participation period. The member may choose to leave DROP at any time during the participation period.

Sec. 11. A new Section 4.2110 is added to the Los Angeles Administrative Code to read as follows:

Sec. 4.2110. Suspension of Participation.

(a) Any member who enters DROP on or after February 1, 2019, shall have his or her participation in DROP suspended for any calendar month in which he or she does not spend at least one hundred twelve (112) hours on active duty status, unless the member qualifies for the exception provided by Subsection (b). This shall include the first and last months of participation. The City Administrative Officer, in consultation with the affected labor organizations, shall determine which payroll codes reflect active duty status for purposes of this provision and shall so notify the Board and all applicable employing departments.

(b) For any participant who sustains a serious injury on duty and is admitted to the hospital for a minimum of three (3) consecutive days as a direct result of that injury, participation shall not be suspended during the first twelve (12) calendar months following the date of injury. This stay of suspension shall apply for any month that the participant does not spend at least one hundred twelve (112) hours on active duty status, on account of the aforementioned serious injury. For any member who meets the requirements of this Subsection (b), upon the conclusion of the twelfth month following the date of injury the stay of suspension shall be lifted and Subsection (a) shall apply to his or her continued DROP participation.

(c) A member's employing department shall determine whether his or her injury meets the requirements of Subsection (b) and shall code the member's payroll and timekeeping records accordingly.

(d) Any member whose participation is suspended shall be eligible to participate in DROP for a maximum of thirty (30) additional months beyond the original participation period. The participation period shall only be extended for as many months as the member's participation was suspended and shall be subject to the limitation on interest accrual according to Section 4.2102(c)(3).

Sec. 12. 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.

Approved as to Form and Legality

MICHAEL N. FEUER, City Attorney

By 
ANYA FREEDMAN
Assistant City Attorney

Date 11/30/2018

File No. _____

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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.

CITY CLERK

MAYOR

Ordinance Passed _____

Approved _____