

**CITY OF LOS ANGELES**  
INTER-DEPARTMENTAL CORRESPONDENCE

Date: November 1, 2018

To: The City Council

From:  Richard H. Llewellyn, Jr., City Administrative Officer

Subject: **AMENDMENT TO THE DEFERRED RETIREMENT OPTION PLAN (DROP)  
FOR POLICE OFFICERS, FIREFIGHTERS, HARBOR POLICE OFFICERS  
AND AIRPORT POLICE OFFICERS (C.F. 18-0117)**

### Recommendations

It is recommended that the City Council:

1. Adopt, subject to the approval of the Mayor, the attached ordinance, approved as to form and legality by the City Attorney, amending the provisions of the Deferred Retirement Option Plan (DROP) effective January 1, 2019; and
2. Authorize the City Clerk and the City Administrative Officer to correct any clerical errors in the ordinance, or, if approved by the City Attorney, any technical errors.

### Summary

In accordance with Los Angeles Administrative Code (LAAC) Section 4.2100, the City of Los Angeles and the involved labor organizations have reached agreement on amendments to the Deferred Retirement Option Plan (DROP). The terms of the agreement, as approved by the Executive Employee Relations Committee on October 12, 2018, are codified in the attached ordinance prepared by the City Attorney.

The ordinance amends LAAC Sections 4.2100, 4.2101, 4.2102, 4.2103, and 4.2105, and adds a new Section 4.2110, to provide that a sworn employee must be on active duty status for a minimum of 112 hours in a calendar month in order to be credited with his or her monthly DROP payment for that particular month. The specific payroll codes that qualify for active duty status have been agreed to with the involved labor organizations and exclude sick and injured on duty time. An exception to the suspension of DROP payments would be made for up to 12 months for any DROP participant who sustains a serious injury on duty and is admitted to the hospital for a minimum of three consecutive days as a direct result of the on-duty injury. In the event of the suspension of DROP payments, the maximum DROP participation period of five years may be extended at the employee's option by the number of months that DROP payments are suspended, to a maximum of 30 additional months. However, interest payments to the individual's DROP account will not extend beyond the original five-year period.

## **Fiscal Impact**

California Government Code Section 7507 specifies that an actuary who is an associate or fellow of the Society of Actuaries provide a statement as to the impact of the proposed changes on the City's future costs. Los Angeles Charter Section 1218(c) also requires that, as a condition to the final adoption of an ordinance creating or modifying DROP benefits, the City Council must be advised in writing by an enrolled actuary as to the cost of any proposed benefit changes.

In accordance with these provisions, the Segal Company prepared an actuarial statement that is attached to this report. That statement concludes that the proposed changes will result in aggregate cost savings to the City of approximately \$12.8 million in the first year. However, Segal recommends that only the projected cost savings associated with the suspension of DROP payments in the amount of \$6.8 million be considered in the first year and that projected cost savings associated with employees potentially delaying their retirement to make up for the suspension of DROP payments be reflected only after actual experience becomes available.

*RHL:DB:MHA:0719042*

## **Attachments**