



# *employee relations* **BULLETIN**

July 24, 2009  
Revised August 24, 2009

**To: Heads of All Departments (Excluding DWP)  
Departmental Personnel Directors**

**Subject: FREQUENTLY ASKED QUESTIONS CONCERNING THE PROPOSED  
EARLY RETIREMENT INCENTIVE PROGRAM (ERIP)**

Below is a list of the most frequently asked questions (FAQs) and answers regarding the proposed Early Retirement Incentive Program (ERIP).

**1. What is the proposed Early Retirement Incentive Program (ERIP)?**

ERIP is an early retirement window that was negotiated with bargaining units representing members of the Los Angeles City Employee's Retirement System (LACERS). The program intends to reduce annual ongoing costs to the City's payroll by providing incentives for eligible LACERS members to retire in the form of retirement benefit enhancements and separation pay incentives. The goal of the ERIP is to separate 2,400 employees from City service as quickly as possible.

**2. Will members of any other City retirement system be eligible for ERIP?**

No. Only eligible LACERS members will be allowed to retire under ERIP. Members of the Department of Water and Power Retirement System and/or the Los Angeles Fire and Police Pension System cannot retire under ERIP.

**3. Which LACERS members are eligible under ERIP and what are the incentives?**

**Group 1** includes only LACERS members who already qualify for a normal (unreduced) retirement with less than 33 years of service and are at least 55 years of age. These employees would receive three years of service credit and a \$15,000 separation payment.

**Group 2** includes only LACERS members who do not currently qualify for a normal (unreduced) retirement and who have at least 33 years of service but have not reached age 55. These employees would receive sufficient age credit to receive a normal (unreduced) retirement and a \$15,000 separation payment.

**Group 3** includes only LACERS members who do not currently qualify for a normal (unreduced) retirement. These employees have less than 33 years of service and are within five years of age credit and/or service credit to achieve a normal (unreduced) retirement. These employees would receive a minimum of three years and a maximum of five years of age credit and/or service credit to receive a normal (unreduced) retirement and/or to enhance a retirement benefit and a \$15,000 separation payment.

**Group 4** includes only LACERS members who already qualify for a normal (unreduced) retirement with a minimum of 33 years of service and are at least age 55. These employees would receive a separation payment of \$1,000 for each year of service.

**Group 5** includes only LACERS members who do not currently qualify for a normal (unreduced) retirement. These employees lack more than five years of age (in order to meet age qualification for a benefit) or more than 5 years of service credit, were hired by the City prior to 1983 and currently have a portion of their employee contribution defrayed by the City. These employees would receive up to five years of service credit to receive an early or reduced retirement and \$15,000 separation payment.

#### **4. What is a normal (unreduced) retirement?**

LACERS members satisfying the following requirements may retire with a normal (unreduced) retirement:

- Age 55 or older with at least 30 years of City Service\*
- Age 60 or older with at least 10 years of Continuous Service\*
- Age 70 or older regardless of the length of City Service

*\* At least 5 years of Continuous Service must come from City employment and/or serviced recognized under full reciprocity.*

For more detailed information regarding a LACERS retirement, please visit the LACERS website at [www.lacers.org](http://www.lacers.org).

#### **5. Will any accumulated sick leave and vacation time be paid out under ERIP? When will the separation pay incentives be paid out?**

Yes. Accumulated sick leave, vacation time, and incentive payouts will be paid out over two separate tax years. By the collective bargaining process, these payouts have been converted to separation payments. The total amount of the

separation pay cannot exceed two (2) times annual compensation, subject to the limitation (\$245,000 for 2009) under Internal Revenue Code Section 401(a)(17). Any tax liabilities arising from these payments shall be the sole responsibility of the employee.

**6. Are there any tax implications for employees taking ERIP?**

Tax counsel has advised that if employees are provided with a choice to either retire under ERIP or retire under a regular LACERS retirement, then this would trigger a tax liability for the employee during the tax year of the retirement effective date. Therefore, it was agreed that an employee eligible for ERIP may only retire from LACERS under the ERIP terms during the window period. When the ERIP window period (and rescission period) has expired, employees that were eligible for ERIP and did not retire will be allowed to retire under a regular LACERS retirement (if they are eligible). Employees are also urged to check with their accounting professionals to determine their specific tax consequences, if any.

**7. Can members that are eligible for ERIP decide to take a normal LACERS retirement during the ERIP period?**

No. Please see question #6 above.

**8. Will years of service purchased pursuant to the LACERS Government Service Buyback (GSB) program be used in determining retirement eligibility under ERIP?**

Yes. LACERS members that are eligible under the GSB program to purchase time served in another governmental agency will be allowed to utilize the purchased time for determining retirement eligibility. To count the purchased GSB time towards retirement, LACERS members must comply with all of the existing GSB purchasing policies, including completion of the GSB purchase prior to the member's effective retirement date.

**9. What will happen to employee contribution rates for members who are either not eligible for ERIP or members who are eligible but do not wish to take the package?**

Most LACERS members pay 6% of salary towards retirement. This is known as the employee's contribution rate.

LACERS members that were hired prior to 1983 pay a lower employee contribution rate because the City subsidizes a significant portion of the employee's contribution. If ERIP is approved, the City will no longer continue subsidizing the employee contribution for LACERS members that were hired

prior to 1983. These members will pay the same employee contribution rate as all other LACERS members, a 6% employee contribution rate.

If ERIP is approved, employee contribution rates for all LACERS members will increase by 0.75%, effective July 1, 2011, for a maximum of 15 years. This means the employee contribution rate for all LACERS members will be 6.75%.

**10. Why would the employee contribution rate increase for all LACERS members by 0.75%?**

The increase is necessary to pay for the incremental cost of ERIP (e.g. retirement benefit enhancement and separation pay). As part of its Normal Cost calculation, the LACERS' actuary will provide an update on the cost and savings so that contribution rates may be adjusted accordingly to account for shortages and surpluses collected towards the payment of the ERIP. The City and Unions will meet at least once annually after the release of the actuary's report to assess the progress on eliminating the obligation. Once the City has recouped costs associated with the ERIP, the retirement contribution rate will be reduced by 0.75%, back to 6% for all current LACERS members, unless subsequently modified by agreement.

**11. Has ERIP been approved?**

**(Revised)** On June 26, 2009, the City Council conceptually approved the ERIP terms and conditions. On July 22, 2009, the City received confirmation that City unions representing a majority of members in the Los Angeles City Employees' Retirement System (LACERS) have approved the proposed ERIP. On August 4, 2009, the City's actuary presented the actuarial cost study to the City Council. The next step in the ERIP approval process is for the City Council to consider the first reading of the ERIP Ordinance, which is anticipated will be scheduled some time in September. A second reading of the Ordinance must occur at least 30 days after the first reading. The Ordinance becomes effective upon publication after approval of the second reading. The beginning of the 45-day window period may only open up after the ERIP Ordinance is published. The CAO will provide additional information regarding the beginning of the window period and details of the application procedure if the Ordinance is approved after the second reading.

**12. Why is only a majority vote of the bargaining units required to pass ERIP?**

The MOU language contained in all of the bargaining units representing LACERS members includes a specific procedure for major retirement benefit modifications. This provision specifically indicates "agreements reached between Management and organizations whereby a majority of the members in the Los Angeles City Employees' Retirement System are affected shall be recommended to the City Council by the City Administrative Officer as affecting

the membership of all employees in the Los Angeles City Employees' Retirement System." A copy of the MOU language is provided at the end of this document.

**13. If ERIP is approved, will ERIP apply to all eligible LACERS members?**

Yes. Since a majority of members in LACERS have approved the proposed ERIP, the program will be available to all LACERS members that are eligible under the ERIP terms and conditions.

**14. How long will the ERIP window period be open?**

The window period will be forty-five (45) days. After an employee elects to participate in ERIP, he/she will have seven (7) calendar days to cancel participation. After the seven (7) day rescission period has passed, an employee shall not revoke his/her retirement.

**15. Where will LACERS members go to file for ERIP if the window period opens?**

LACERS members that wish to file for ERIP must do so by completing an ERIP Election Form and submitting the completed ERIP Election Form to the CAO Employee Relations Division, City Hall East, Room 1200. ERIP Election Forms will be available at the Employee Relations Division if and when the window period opens. **PLEASE DO NOT CONTACT THE CAO EMPLOYEE RELATIONS DIVISION FOR AN ERIP ELECTION FORM UNTIL THE WINDOW PERIOD HAS OFFICIALLY OPENED.**

**16. What will happen after an ERIP Election Form is filed during the window period?**

The CAO Employee Relations Division will review the ERIP Election Form for completion and submit the completed form to LACERS for further processing.

**17. Will more than 2,400 packages be available for LACERS members if more than 2,400 eligible members apply for ERIP?**

The goal of the ERIP is to separate 2,400 employees from City service as quickly as possible. If more than 2,400 election forms are received, then a waiting list will be created. Employees on the waiting list may be allowed to retire under the ERIP if some of the initial 2,400 applicants rescind their ERIP Election Forms. Employees on the waiting list may also be allowed to retire under the ERIP if the Office of the Mayor and City Council approve an increase of the 2,400 limit.

**18. Will any ERIP packages be limited to specific classifications?**

**(Revised)** Due to the backfill requirements as set forth in the actuarial study, some classes will either be ineligible to participate or the number of available packages will be capped. The lists of classes are attached at the end of this document.

**19. Who determines the effective retirement date?**

To minimize the impact on City services, an employee electing to apply for the ERIP may not select his or her effective date of retirement. Management shall determine the effective date of retirement for an employee that submits an ERIP Election Form. Management will attempt to take the employee's preferences into account, but may not be able to accommodate those preferences.

Management's decision as to an employee's effective date of retirement under the ERIP shall be final. Prior to submitting an ERIP Election Form, an employee must understand that he or she may not agree with Management's decision on the effective date of retirement. The employee may be required to retire as soon as administratively possible, or may be required to continue working for the City for several months.

**20. Will LACERS members in proprietary departments (excluding the Department of Water and Power) be excluded from ERIP?**

No. Eligible LACERS members will be able to take the package as long as all of the ERIP requirements are satisfied and there are enough packages available.

**21. Is it true that I may retire now and still be eligible for ERIP even though the window period has not yet opened?**

**(Revised)** Yes. On June 26, 2009, the City Council adopted a motion indicating that LACERS members who retire before the effective date of ERIP and are eligible for ERIP, shall be eligible to receive all applicable benefits under the ERIP. These employees will not be required to file an ERIP Election Form. These employees shall count towards the 2,400 limit and shall agree that any cash pay-out of their Accumulated Sick and Vacation Time may not comply with the ERIP provisions. A copy of the motion is attached at the end of this document.

## ARTICLE X RETIREMENT BENEFITS

### A. Benefits

For employees hired prior to January 1, 1983, retirement benefits including the Beta Retirement Formula and subsidies of: 1) one-half ( $\frac{1}{2}$ ) the employees' retirement contribution rates, and 2) an additional two percent (2%) of compensation earnable after the one-half subsidy, shall be continued during the term of this MOU. For employees hired January 1, 1983, and thereafter, the Beta Retirement Formula and a flat-rated employee retirement contribution of six percent (6%) shall be continued.

### B. Procedure for Benefits Modifications

Proposals for major retirement benefit modifications will be negotiated in joint meetings with the certified employee organizations whose memberships will be directly affected. Agreements reached between Management and organizations whereby a majority of the members in the Los Angeles City Employees' Retirement System are affected shall be recommended to the City Council by the City Administrative Officer as affecting the membership of all employees in the Los Angeles City Employees' Retirement System. Such modifications need not be included in the MOU in order to be considered appropriately negotiated.

Proposals for minor benefit modifications and technical changes will be considered and reported on as appropriate, but not more than once a year, in a report from the City Administrative Officer to the City Council. Affected organizations shall be given the opportunity to review the proposed minor changes prior to the release of the report, and their views shall be included in the report.

If agreement is not reached between Management and the organizations representing a majority of the members in the Los Angeles City Employees' Retirement System as to whether a particular proposal constitutes either a major or a minor modification, the proposal shall be treated as a major modification.

**VERBAL MOTION**

I HEREBY MOVE that Council APPROVE that members of the Los Angeles City Employees' Retirement System who retire from city employment on or after the approval date of this motion, and before the effective date of any retirement incentive program, **and are eligible**, that is subsequently approved by the City Council and the Mayor on or before July 1, 2010, shall be eligible to receive all applicable benefits of the approved retirement incentive program for which these employees qualified at the time of retirement.

PRESENTED BY \_\_\_\_\_  
BERNARD C. PARKS  
Councilmember, 8<sup>th</sup> District

PRESENTED BY \_\_\_\_\_  
DENNIS P. ZINE  
Councilmember, 3<sup>rd</sup> District

June 26, 2009

CF 09-1320

**ADOPTED**

JUN 26 2009

**LOS ANGELES CITY COUNCIL**

**FORTHWITH**



## JOB CLASSES NOT ELIGIBLE FOR ERIP

Job Class	Job Class Code	MOU
Ch Forensic Chemist	2237	17
Ch Legislative Rep	9483	00
Ch Tax Compliance Officer	1211	36
Chief Of Staff Mayor	0407	00
Council Aide	0186	00
Criminalist	2234	08
Exam Questd Docs	3229	21
Exec Dir Empl Rel Board	9719	00
Exec Dir Pol Comm	0600	00
Finance Coll Invtr	1758	01
Fingerprnt Iden Exp	1157	03
Fire Psychologist	2379	10
Forensic Prnt Spec	2200	21
Mayoral Aide	0141	00
Police Perform Aud	1627	01
Polygraph Examiner	2240	21
Port Pilot	5151	26
Pr Tax Auditor	1524	20
Pr Tax Compliance Officer	1195	20
Special Investigator	0602	01
Sr Exam Questd Documts	3231	19
Sr Forensic Print Spc	2201	19
Sr Tax Auditor	1519	20
Supvsg Criminalist	2235	17
Tax Auditor	1514	01
Tax Compliance Officer	1179	01
Taxicab Administrator	8870	36
Veterinary Tech	2369	21
All General Manager and Elected Official positions shall also be ineligible.		

## JOB CLASSES ELIGIBLE FOR E RIP WITH MAXIMUM CAP APPLIED

Job Class	Job Class Code	MOU	Maximum No. of E RIP Packages Available
Airport Police Captain	3228	40	1
Airport Police Lt	3227	39	1
Airport Police Officer	3225	30	5
Airport Police Sgt	3226	39	5
Airport Safety Officer	3202	30	1
Ch Airport Safety Off	3205	00	1
Ch Airports Engr	7274	36	1
Chemist	7833	08	3
Chief Benefits Analyst	9151	36	1
Chief Investment Officer	9147	36	1
Child Care Associate	2490	11	2
Child Care Center Director	2491	11	1
Commun Electrician	3686	02	14
Commun Electrician Supv	3689	13	4
Correctional Nurse	2317	10	3
Detention Officer	3211	18	3
Electric Pump Plt Opr	5853	09	1
Environmental Engineer	7872	17	2
Environmental Engr Assoc	7871	08	3
Equip Mechanic	3711	14	30
Gardener Caretaker	3141	04	59
Geneal Services Police Chief	3188	36	1
General Services Police Captain	3198	12	1
General Services Police Officer	3183	28	1
General Services Police Sergeant	3185	12	1
Helicopter Mech	3742	14	1
Intermed W/W Trmt Opr	4122	09	3
Investment Officer	9146	00	1
Laboratory Tech	7854	21	4
Librarian	6152	06	20
Motor Sweeper Operator	3585	04	15
Occup Psychologist	2380	10	1
Pol SurvInce Spec	3687	02	1
Police Admn	9196	36	2
Police Psychologist	2382	10	1
Ref Coll Truck Opr	3580	04	24
Refuse Collection Supv	4101	12	2
Shift Supt W/Wtr Trmt	7242	17	1
Sr Airport Safety Officer	3203	39	1
Sr Electr Pump PI Opr	5856	09	1
Sr Environmental Compliance Insp	4293	19	1
Sr Environmental Engineer	7874	17	1
Sr Librarian	6153	06	14
Sr Park Ranger	1967	12	1
Sr Police Serv Rep	2209	20	5
Sr Safety Eng Elevators	4264	05	1
Sr Safety Eng Press Ves	4262	05	1
Sr W/Wtr Trmt Oper	4124	09	4
Traf Officer	3214	18	20
Truck Operator	3583	04	14
W/Wtr Coll Worker	4110	04	5
W/Wtr Trmt Elec	5615	02	4
W/Wtr Trmt Lab Mgr	7840	36	1

## JOB CLASSES ELIGIBLE FOR ERIP WITH MAXIMUM CAP APPLIED

Job Class	Job Class Code	MOU	Maximum No. of ERIP Packages Available
W/Wtr Trmt Mech I	5614-1	09	4
W/Wtr Trmt Mech II	5614-2	09	2
W/Wtr Trmt Oper	4121	09	9
Wastewtr Col Supvr	4113	12	1
Water Biologist	7856	08	1
Water Microbiologist	7857	08	1
<b>TOTAL</b>			<b>314</b>