SETTLEMENT AGREEMENT

BETWEEN THE COALITION OF LOS ANGELES CITY UNIONS AND
THE CITY OF LOS ANGELES

The Coalition of Los Angeles City Unions ("Coalition"), through constituent unions American Federation of State, County and Municipal Employees, District Council 36, Locals 741, 906, 2006, 2626, 3090, and 3672; Service Employees International Union, Local 721; International Union of Operating Engineers, Local 501; Laborers International Union of North America, Local 777; Los Angeles and Orange Counties Building and Construction Trades Council; and International Brotherhood of Teamsters, Local 911, and the City of Los Angeles ("City") hereby agree as follows:

WHEREAS, the Coalition and City engaged in confidential mediation discussions with Mediator Barry Winograd to resolve numerous disputes between them, including the following: Reciprocity UERP charges 1923 to 1928; Salary Compaction Grievance Arbitrations ARB 3427 – 3431; Tier 2 Litigation, including Court of Appeal Case No. B259528, LA Superior Court Case No. BS151001, Court of Appeal Case No. B259447, LA Superior Court Case No. BS143284, LA Superior Court Case No. BS152178, Court of Appeal Case No. B259969, and LA Superior Court Case No. BS143284; City UERP charges regarding Bargaining (UERP 1969, 1971 – 1976; and bargaining regarding successor Memoranda of Understanding (MOUs) between the parties; and

WHEREAS, the Coalition and City reached a separate Letter of Agreement to resolve the Salary Compaction Grievance Arbitrations, and the Letter of Agreement is attached hereto as Exhibit 1 to this Agreement;

NOW, THEREFORE, in consideration of the mutual promises contained herein, and for other good and sufficient consideration, receipt of which is hereby acknowledged, the parties agree to the following terms, all of which must be performed for this Agreement to be effective:

1. The Coalition and the City agree to settle the Tier 2 Litigation (Court of Appeal Case No. B259528, Los Angeles Superior Court Case Nos. BS143284, BS152178, BS, Court of Appeal Case No. B259969) on the following terms and conditions:

   A. The terms of items 2 through 8, hereinafter in this Agreement, must be fully performed as a condition of settlement of the Tier 2 Litigation.

   B. Within five business days of the full implementation of the MOU amendments as set forth below and implementation of LACERS Tier 3, the City and the labor organizations which are petitioner and respondent parties and which have agreed to LACERS Tier 3 will dismiss with prejudice the following legal actions: City of Los Angeles v. Employee

   [Signatures]
Relations Board, Los Angeles Superior Court Case No. BS151001; City of Los Angeles v. Employee Relations Board, Los Angeles Superior Court Case No. BS152178; City of Los Angeles v. Employee Relations Board, Court of Appeal Case No. B259528; City of Los Angeles v. Employee Relations Board, Court of Appeal Case No. B259969; and American Federation of State, County and Municipal Employee, etc., et al. v. Employee Relations Board, Court of Appeal Case No. B259447.

C. Each party shall bear its own costs and attorney's fees.

D. The Coalition and City agree that this Agreement resolves all legal issues raised in these actions between the dismissing parties.

E. The Coalition and City agree that this Agreement and the mutually agreed terms herein do not represent an agreement by either party as to the issues regarding the City's meet and confer obligations raised in the listed legal actions, and each party reserves its legal position with regard to such issues.

F. The Coalition and City agree that this Agreement does not settle the Reciprocity UERPs (UERP Nos. 1923 through 1928), nor limit the remedies the Coalition may seek in such proceedings.

2. The Coalition and the City agree that they shall enter into MOUs between the individual bargaining units of the Coalition and the City, effective July 1, 2015, to June 30, 2018. New terms of the MOUs are set forth: a) as designated herein; b) in a Letter of Agreement titled Memorandum of Understanding Language - Coalition MOUs which is attached as Exhibit 2 to this Agreement, and in Letters of Agreement addressing specific subjects which are attached as Exhibits 3 - 8 to this Agreement; and c) in agreements negotiated for individual bargaining units known as Unit table agreements. All new MOU terms are subject to ratification by the Coalition Unions' bargaining units and are subject to approval by the City Council and shall be effective upon such ratification and approval.

3. Following approvals and/or adoption by ordinance ("Implementing Ordinance") and adherence to applicable law(s), the City will create a new Retirement Benefit Tier which shall replace LACERS Tier 2 and which shall be called LACERS Tier 3 consistent with the terms of item 3 herein, such that:

A. Discontinuance of LACERS Tier 2

1. LACERS Tier 2, in which employees hired on or after July 1, 2013, were enrolled, shall be discontinued effective upon the date on which the Implementing Ordinance is adopted. All employees who were members of LACERS Tier 2 shall become members of LACERS Tier 1 and be treated as if they had been LACERS Tier 1.
members from the date of their initial membership in LACERS. Such members will obtain the same conditions of entitlement and benefits as all other Tier 1 members.

2. LACERS Tier 2 members with contributions on deposit and Tier 2 disability retirees who return to employment will be returned to Tier 1.

3. The City will contribute to LACERS the funds necessary to make the system whole, as determined by the actuary for LACERS.

B. MOU Amendments

The MOUs will be amended to add the following language to the existing Retirement Benefits provisions of the MOUs: “For employees hired on or after the date of adoption of the Ordinance implementing LACERS Tier 3, the retirement formula for LACERS Tier 3 and a flat-rated employee retirement contribution of seven percent (7%) shall be continued during the term of the MOU.”

C. LACERS Tier 1

The following employees shall be LACERS Tier 1 members:

1. Any employee hired or employed by the City in a position eligible for LACERS membership at any time prior to the effective date of the Implementing Ordinance;

2. Any employee who returns to employment with the City in a position eligible for LACERS membership who was previously a contributing member of LACERS Tier 1 or LACERS Tier 2 and whose prior contributions remain on deposit in the LACERS retirement fund;

3. Any employee first hired by the City prior to the effective date of the Implementing Ordinance in a position eligible for certification as a part-time employee member of LACERS, who became or becomes a member of LACERS on or after the effective date of the Implementing Ordinance; and

4. LACERS Tier 1 disability retirees and LACERS Tier 2 disability retirees who return to employment on or after the effective date of the Implementing Ordinance.

5. An elected official who was a member of the Limited Term Retirement Plan (LTRP) on the date immediately prior to the
effective date of the Implementing Ordinance, provided that his or her service as an elected official was continuous from that date until the date he or she becomes a member of LACERS and that all of the funds in his or her individual retirement account with the LTFP are transferred to his or her member account with LACERS.

The above-described employees shall be eligible to be enrolled in LACERS Tier 1 and shall be treated as LACERS Tier 1 members for all purposes.

D. LACERS Tier 3

All employees who become members of LACERS on or after the effective date of the Implementing Ordinance, and who do not fall within the LACERS Tier 1 categories set forth above at Paragraph C, shall be members of LACERS Tier 3. Such employees include:

1. Any employee hired or employed by the City in a position eligible for LACERS membership on or after the effective date of the Implementing Ordinance;

2. Any employee who returns to employment with the City in a position eligible for LACERS membership who was previously a contributing member of Tier 3 and whose prior Tier 3 contributions remain on deposit in the LACERS retirement fund;

3. Any employee hired by the City in a position eligible for LACERS membership on a part-time (including intermittent) or full-time basis on or after the effective date of the Implementing Ordinance, who thereafter became or becomes eligible for LACERS membership; and

4. Tier 3 disability retirees who return to employment with the City in a position eligible for LACERS membership.

The above-described employees shall be enrolled in Tier 3 and shall be treated as Tier 3 members for all purposes.

E. Former Members of LACERS Tier 1 and LACERS Tier 3

1. An employee who was previously a member of LACERS Tier 1, who became ineligible to participate in LACERS by reason of a transfer (including promotion, displacement, reclassification, or any other employment status change) to the Los Angeles Department of Water and Power (LADWP) and whose prior LACERS Tier 1 contributions remain on deposit in the LACERS retirement fund,
and who subsequently becomes eligible for LACERS membership by reason of employment status change, shall return to membership in LACERS Tier 1 on the first day of the payroll period following such transfer or other change in employment status.

2. An employee who was previously a member of LACERS Tier 3, who became ineligible to participate in LACERS by reason of a transfer (including promotion, displacement, reclassification, or any other employment status change) to the LADWP and whose prior Tier 3 contributions remain on deposit in the LACERS retirement fund, and who subsequently becomes eligible for LACERS membership by reason of employment status change, shall become eligible for, and shall return to membership in Tier 3 on the first day of the payroll period following such transfer or other change in employment status.

3. A member or former member of LACERS who, after January 1, 2014, became ineligible to participate in LACERS by reason of transfer (including promotion, displacement, reclassification, or any other employment status change) to the LADWP, whose accumulated LACERS contributions remained on deposit in the LACERS retirement fund, and who is also a current, former, or retired member of WPERP, shall be considered for retirement eligibility purposes only to be a member or former member of LACERS at the time he or she applies for retirement or deferred service retirement, as applicable, from LACERS, and shall be entitled to have his or her service and/or service credit with WPERP combined with his or her service and/or service credit with LACERS as provided in LACERS plan provisions governing Tier 1 or Tier 3, as applicable. As used herein, "service credit" shall have the meaning ascribed to it under Section VII.F. of the plan provisions governing WPERP Tier 2.

F. Summary of Tier 3

1. Employee Normal Contribution Rate

a. A flat-rated seven percent (7%) of compensation earnable by salary deduction, which includes a mandatory survivor contribution portion. No portion of a Tier 3 member's contributions shall be credited to the Early Retirement Incentive Plan (ERIP) Cost Obligation and, conversely, the recoupment by the Retirement System of the ERIP Cost Obligation shall have no impact on the contribution rate for the LACERS Tier 3 members. When LACERS Tier 1 members' contribution rate drops (when the ERIP Cost
Obligation is paid off or no later than June 30, 2026, whichever comes first), LACERS Tier 3 members will still be contributing at the same 7% rate.

b. Optional additional contributions under the larger annuity program as provided by Board Rule.

2. Final Compensation

Highest 36-month average compensation earnable, excluding differentials and special pay paid to employees enrolled in LACERS Tier 3, except that Final Compensation shall include differentials and special pay which are specifically designated as pension-based in the individual MOUs.

3. Maximum Benefit

Eighty percent (80%) of Final Compensation.

4. Service Retirement Allowance Formula for Employees

a. Early Retirement:

1) Any age with 30 years of service, including 5 years continuous City service = 2.0% Retirement Factor * Final Compensation * Years of Service Credit * Early Retirement Reduction Factor.

2) Unreduced at age 55 with 30 years of service, including 5 years continuous City service = 2.0% Retirement Factor * Final Compensation * Years of Service Credit.

b. Normal Retirement at Age 60:

1) Age 60 with 30 years of service, including 5 years continuous City service = 2.0% Retirement Factor * Final Compensation * Years of Service Credit.

2) Age 60 with 10 years of service, including 5 years continuous City service = 1.5% Retirement Factor * Final Compensation * Years of Service Credit.

c. Enhanced Normal Retirement at Age 63:
1) Age 63 with 10 years of service, including 5 years continuous City service = 2.0% Retirement Factor * Final Compensation * Years of Service Credit.

2) Age 63 with 30 years of service, including 5 years continuous City service = 2.1% Retirement Factor * Final Compensation * Years of Service Credit.

5. Service Retirement for Former Members who Left City Service with Contributions on Deposit with LACERS (Deferred Retirement) Formula

Eligibility for deferred retirement benefits shall be on the same terms as LACERS Tier 1.

a. Full Retirement with Unreduced 1.5% Retirement Factor at:

1) Age 60 with 5 years of continuous City service provided that 10 years have elapsed since the first date of membership; or

2) Age 70, with 5 years of continuous City service.

b. Full Retirement with Unreduced 2.0% Retirement Factor at:

1) Age 60 with 30 years of continuous City service provided that 10 years have elapsed since the first date of membership; or

2) Age 63 with 10 years of service, including 5 years of continuous City service.

c. Full Retirement with Unreduced 2.1% Retirement Factors at Age 63 with 30 years of service, including 10 years of continuous City service.

d. Early Retirement with 1.5% Retirement Factor and Age Reduction Factor at Age 55, with 5 years of continuous City service, provided that 10 years have elapsed since the first date of membership.

6. Disability Retirement

Employees enrolled in LACERS Tier 3 shall receive the same disability retirement benefits as employees in LACERS Tier 1. Allowance: 1/70 * Service Credit or a minimum of 1/3 Final
Compensation. For part-time employee members, 1/3 minimum is pro-rated based upon compensation earnable.

7. **COLAs**
   a. Annual COLA by the Board of Administration based on C.P.I., maximum of 2%; No COLA bank; discretionary COLAs, in excess of the annual COLA allowable to be granted by the Board of Administration based upon C.P.I., when necessary, based upon periodic review by the City Council, to restore retirees' purchasing power (Purchasing Power Adjustment).
   b. Applies to all retirement allowances except limited pension (payable under certain circumstances to eligible survivor of member who dies before retirement), including service retirement, disability retirement, continuance retirement, and deferred retirement.

8. **Service Credit Purchases**
   All purchases of service credit will be based on full actuarial cost, with the exception that up to five (5) years of military leave, and up to one (1) year per pregnancy of uncompensated maternity leave, may be purchased at the cost that would have applied had such service been purchased as back contributions.

9. **Spousal and Survivor Continuance Benefit Options**
   All continuance benefit options modeled on LACERS Tier 1.

10. **Death Benefits (death of member before retirement)**
    a. Lump sum death benefit of $2,500
    b. Accumulated employee contributions
    c. All continuance benefit options modeled on LACERS Tier 1.

11. **Unrepresented Benefits and Most Favored Nations**
    Should the City implement any LACERS benefit tier with benefits exceeding LACERS Tier 3, including any benefit tier for unrepresented individuals, such as unrepresented employees and elected officials, such benefits shall be made available to participants in Tier 3 and their beneficiaries. Should the LADWP
implement retirement benefits in the future for employees enrolled in WPERP Tier 2 exceeding LACERS Tier 3, employees enrolled in LACERS Tier 3 shall be entitled to receive such improved retirement benefits.

12. Felony Forfeiture

The City and Coalition will meet and confer over the subject of felony forfeiture for LACERS Tier 3.

G. The amendments to LACERS associated with LACERS Tier 3, the implementation of LACERS Tier 3, and any future modification to LACERS Tier 3 will be formulated and implemented under the Procedures for Benefits Modifications in the Retirement Benefits article of the MOUs.

4. Retiree Health Benefits

The City and Coalition agree that they shall include the following language in the MOUs:

A. There is currently in effect a retiree health benefit program for retired members of LACERS under Division 4, Chapter 11 of the Los Angeles Administrative Code ("LAAC"). All covered employees who are members of LACERS, regardless of retirement tier, shall contribute to LACERS four percent (4%) of their pre-tax compensation earnable toward vested retiree health benefits as provided by this program. The retiree health benefit available under this program is a vested benefit for all covered employees who make this contribution, including employees enrolled in LACERS Tier 3. With regard to LACERS Tier 1, as provided by LAAC Section 4.1111, the monthly Maximum Medical Plan Premium Subsidy, which represents the Kaiser two-party non-Medicare Part A and Part B premium, is vested for all members who made the additional contributions authorized by LAAC Section 4.1003(c). Additionally, with regard to Tier 1 members who made the additional contribution authorized by LAAC Section 4.1003(c), the maximum amount of the annual increase authorized in LAAC Section 4.1111(b) is a vested benefit that shall be granted by the Board. With regard to LACERS Tier 3, the Implementing Ordinance shall provide that all Tier 3 members shall contribute to LACERS four percent (4%) of their pre-tax compensation earnable toward vested retiree health benefits, and shall amend Division 4, Chapter 11 of the LAAC to provide the same vested benefits to all Tier 3 members as currently are provided to Tier 1 members who make the same four percent (4%) contribution to LACERS under the retiree health benefit program. The entitlement to retiree health benefits under this provision shall be subject to the rules under Division 4, Chapter 11 of the LAAC in effect as of the effective date of this provision, and the rules that shall be placed into Division 4, Chapters 10 and 11, with
regard to Tier 3, by the Implementing Ordinance. As further provided herein, the amount of employee contributions is subject to bargaining in future MOU negotiations.

B. The vesting schedule for the Maximum Medical Plan Premium Subsidy for employees enrolled in LACERS Tier 1 and LACERS Tier 3 shall be the same.

C. Employees whose Health Service Credit, as defined in Division 4, Chapter 11 of the LAAC, is based on periods of part-time and less than full-time employment, shall receive full, rather than prorated, Health Service Credit for periods of service, and the monthly retiree medical subsidy amount to which they are entitled shall be prorated based on the extent to which their service credit is prorated due to their being less than full time.

5. Disability Benefits Study

Pursuant to the Procedures for Benefits Modifications in the Retirement Benefits article of the MOUs, the City and Coalition agree to study medical benefits for employees on disability retirement and conversion of disability benefits to service retirement benefits. No later than December 31, 2015, the City will negotiate implementation of these benefits with all affected unions.

6. Letters of Agreement

The City and Coalition agree that they shall enter into the following Letters of Agreement to be appended to the MOUs:

A. Letter of Agreement regarding Part Time Employment. The Letter of Agreement is attached hereto as Exhibit 3 to this Agreement.

B. Letter of Agreement regarding Outsourcing of Unit Work. The Letter of Agreement is attached hereto as Exhibit 4 to this Agreement.

C. Letter of Agreement regarding Acting Pay. The Letter of Agreement is attached hereto as Exhibit 5 to this Agreement.

D. Letter of Agreement regarding Special Pays, Differential Pays and Inequities. The Letter of Agreement is attached hereto as Exhibit 6 to this Agreement.

E. Letter of Agreement regarding Revenue. The Letter of Agreement is attached hereto as Exhibit 7 to this Agreement.

F. Letter of Agreement regarding Service and Workforce Restoration. The Letter of Agreement is attached hereto as Exhibit 8 to this Agreement.
7. **Reciprocity**

Full reciprocity with CalPERS and other reciprocal systems.

8. **City UERPs**

Within five business days of the full implementation of the MOU amendments as set forth above, the City shall dismiss, with prejudice, UERPs 1969, 1971-1976.