



## AGENDA REPORT

**Meeting Date:** March 6, 2012  
**Item Number:** H-6  
**To:** Honorable Mayor & City Council  
**From:** Scott G. Miller, Chief Financial Officer / Director, Administrative Services  
Mark A. Brower, Senior Budget & Financial Analyst  
**Subject:** **RESOLUTION OF THE COUNCIL OF THE CITY OF BEVERLY HILLS APPROVING PHASE 2 OF THE ALTERNATIVE RETIREE MEDICAL PROGRAM (ARMP) FOR ELIGIBLE NON-SAFETY EMPLOYEES AND AUTHORIZING THE DIRECTOR OF ADMINISTRATIVE SERVICES TO EXECUTE ALL NECESSARY DOCUMENTATION TO IMPLEMENT PHASE 2 OF THE ARMP**  
**Attachments:** Resolution

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### **RECOMMENDATION**

Approve the resolution authorizing Phase 2 of the Alternative Retiree Medical Program (ARMP) for eligible non-safety employees.

Authorize the Chief Financial Officer to sign all necessary documents and forms related to this program.

### **INTRODUCTION**

In December of 2010, Staff successfully completed full implementation of Phase 1 of the Alternative Retiree Medical Program (ARMP) as approved by the City Council in December of 2009. This program was one of the five programs developed by staff and the City Council designed to help significantly reduce long term benefit costs the City would incur by giving current non-safety employees the opportunity to opt out of their existing benefit in exchange for a defined contribution plan or a one-time lump sum payout. 58% of the eligible employees opted to take this program. With this robust level of participation, the City's actuary calculated the estimated cost savings in unfunded liabilities to the city to total more than \$40 Million over 40 years for this program alone.

## DISCUSSION

### ARMP for Non-Safety Employees

Phase 1 of ARMP generated a groundswell of interest from the remaining eligible employees after the program was completed.

To achieve further long-term savings for the City, Staff recommends offering this program again to qualifying employees who decided not to elect the ARMP in the first phase. Phase 2 is almost identical to the first phase with the exception that the amount offered to employees will be reduced by 10%.

ARMP enables the City to substantially decrease its future risk exposure to unfunded liabilities inherent in the prior defined benefit model of retiree health care. This is an example of Beverly Hills' proactive and innovative approach to implementing long term solutions to systemic issues.

Based on the success of this program and the expressed interest from remaining eligible employees, Staff recommends offering a second phase of ARMP to qualified employees.

## FISCAL IMPACT

### ARMP for Non-Safety Employees (100% participation)

With 100% participation, the City's unfunded OPEB liability is projected to be reduced by \$25.9M. Costs would be slightly over \$17M with debt service and residual payments.

	Debt Service (Principal + Interest)	Residual Amount	Total
Year 1	\$ 830,000	\$ 557,888	\$ 1,387,888
Year 2	\$ 830,000	\$ 504,114	\$ 1,334,114
Year 3	\$ 830,000	\$ 439,245	\$ 1,269,245
Year 4	\$ 830,000	\$ 359,501	\$ 1,189,501
Year 5	\$ 830,000	\$ 344,416	\$ 1,174,416
Year 6	\$ 830,000	\$ 336,389	\$ 1,166,389
Year 7	\$ 830,000	\$ 317,996	\$ 1,147,996
Year 8	\$ 830,000	\$ 301,004	\$ 1,131,004
Year 9	\$ 830,000	\$ 287,831	\$ 1,117,831
Year 10	\$ 830,000	\$ 272,956	\$ 1,102,956
Year 11	\$ 830,000	\$ 253,762	\$ 1,083,762
Year 12	\$ 830,000	\$ 210,106	\$ 1,040,106
Year 13	\$ 830,000	\$ 210,106	\$ 1,040,106
Year 14	\$ 830,000	\$ 127,918	\$ 957,918
Year 15	\$ 830,000	\$ 73,181	\$ 903,181
Year 16	\$ -	\$ 27,779	\$ 27,779
<b>TOTAL</b>	<b>\$ 12,450,000</b>	<b>\$ 4,624,194</b>	<b>\$ 17,074,194</b>

73% of ARMP 2.0 is projected to be allocated to the General Fund and the remaining 27% is projected to be allocated to Enterprise Funds.

	Total General Fund Payment	Total Enterprise Fund Payment	TOTAL
Year 1	\$ 1,013,159	\$ 374,730	\$ 1,387,888
Year 2	\$ 973,903	\$ 360,211	\$ 1,334,114
Year 3	\$ 926,549	\$ 342,696	\$ 1,269,245
Year 4	\$ 868,336	\$ 321,165	\$ 1,189,501
Year 5	\$ 857,324	\$ 317,092	\$ 1,174,416
Year 6	\$ 851,464	\$ 314,925	\$ 1,166,389
Year 7	\$ 838,037	\$ 309,959	\$ 1,147,996
Year 8	\$ 825,633	\$ 305,371	\$ 1,131,004
Year 9	\$ 816,017	\$ 301,814	\$ 1,117,831
Year 10	\$ 805,158	\$ 297,798	\$ 1,102,956
Year 11	\$ 791,146	\$ 292,616	\$ 1,083,762
Year 12	\$ 759,277	\$ 280,829	\$ 1,040,106
Year 13	\$ 759,277	\$ 280,829	\$ 1,040,106
Year 14	\$ 699,280	\$ 258,638	\$ 957,918
Year 15	\$ 659,322	\$ 243,859	\$ 903,181
Year 16	\$ 20,278	\$ 7,500	\$ 27,779
<b>TOTAL</b>	<b>\$ 12,464,162</b>	<b>\$ 4,610,032</b>	<b>\$ 17,074,194</b>



Scott G. Miller  
 CFO / Director, Administrative  
 Services

# **Attachment 1**

RESOLUTION NO. \_\_\_\_\_

RESOLUTION OF THE COUNCIL OF THE CITY OF BEVERLY HILLS APPROVING PHASE 2 OF THE ALTERNATIVE RETIREE MEDICAL PROGRAM (ARMP) FOR ELIGIBLE NON-SAFETY EMPLOYEES AND AUTHORIZING THE DIRECTOR OF ADMINISTRATIVE SERVICES TO EXECUTE ALL NECESSARY DOCUMENTATION TO IMPLEMENT PHASE 2 OF THE ARMP

WHEREAS, in order to help reduce long term benefit costs, the City Council of the City of Beverly Hills previously approved the first phase of the Alternative Retiree Medical Program (“ARMP”) in December of 2009; and

WHEREAS, the ARMP was offered to eligible non-safety employees and approximately 58% of such employees participated during the first phase; and

WHEREAS, the City desires to implement the second phase of the ARMP (“Phase 2 of the ARMP”) and offer it to the remaining eligible non-safety employees who decided not to elect the ARMP during the first phase; and

WHEREAS, the financial terms of Phase 2 of the ARMP is identical to the first phase, with the exception that the value of the compensation provided to employees for relinquishing their retiree medical benefits will be reduced by 10%.

THE CITY COUNCIL OF THE CITY OF BEVERLY HILLS HEREBY RESOLVES AS FOLLOWS:

Section 1. The City Council hereby approves Phase 2 of the ARMP. The Director of Administrative Services is hereby authorized to execute all necessary documentation to implement Phase 2 of the ARMP.

Section 2. The City Clerk shall certify to the adoption of this resolution and shall cause this resolution and his certification to be entered in the Book of Resolutions of the Council of this City.

Adopted:

CITY OF BEVERLY HILLS  
A municipal corporation

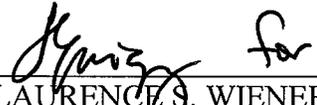
\_\_\_\_\_  
BARRY BRUCKER  
Mayor of the City of  
Beverly Hills, California

ATTEST:

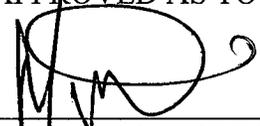
\_\_\_\_\_ (SEAL)

BYRON POPE  
City Clerk

APPROVED AS TO FORM:

 for  
\_\_\_\_\_  
LAURENCE S. WIENER  
City Attorney

APPROVED AS TO CONTENT:

 for JM  
\_\_\_\_\_  
JEFFREY C. KOLIN  
City Manager