

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Date: June 9, 2026

To: The City Council

From: Matthew W. Szabo, City Administrative Officer



Subject: **IMPLEMENTATION OF CASE SETTLEMENT, AMENDMENT TO LACERS PEACE OFFICER TRANSFER PROGRAM, AND OMNIBUS CLEANUP OF PLAN PROVISIONS FOR THE LOS ANGELES FIRE AND POLICE PENSIONS (C.F. NO. [10-1868](#))**

RECOMMENDATION

The Office of the City Administrative Officer (CAO) recommends that the City Council instruct the City Attorney to prepare and present the ordinances necessary to implement a recent legal case settlement resulting in an updated to the method for calculating health insurance premium subsidies for Los Angeles Fire and Police Pensions (LAFPP) Members, to authorize amortization for costs and expenses to pay the full actuarial cost of the Los Angeles City Employees' Retirement System (LACERS) Peace Officer Transfer Program, and to make all other necessary technical updates to the LAFPP plan provisions.

BACKGROUND

LAFPP Health Premium Subsidies

The CAO recommends that the City Council instruct the City Attorney to prepare and present the ordinances necessary to update LAFPP Plan terms regarding health insurance premium subsidies for LAFPP Members. In 1974, Los Angeles voters approved a City Charter amendment permitting the City to provide a program that would subsidize health insurance coverage provided to retired police officers and firefighters. This program was enacted by ordinance in 1975 (Ordinance No. 147,014). In 2005, voters approved a second Charter amendment allowing the Los Angeles City Council to establish by ordinance maximum subsidy payments, as well as to set standards and limitations for raising or lowering the subsidy payment amounts.

Between 2005 and 2006, the City Council passed ordinances that: (1) set the maximum monthly subsidy for retiree health insurance premiums at \$735.38 effective July 1, 2005; and (2) authorized the LAFPP Board of Commissioners (Board) to make annual adjustments (beginning July 1, 2006) to the maximum monthly retiree health insurance subsidy, provided that an increase is the lesser of 7% or the actuarial assumed rate for pre-65 health benefits established by the Board for the applicable fiscal year.

As a result of the 2008 Great Recession, the City enacted (in 2011) an ordinance freezing the maximum retiree health insurance subsidy at \$1,097.41. In response to the City's freeze ordinance, the Los Angeles Police Protective League (LAPPL) and the United Firefighters of Los Angeles City (UFLAC) entered into a Letter of Agreement (LOA) with the City to create an exception to the freeze. The LOA provided two maximum health insurance subsidies: (1) the frozen \$1,097.41 rate and (2) the annually adjusted rate in accordance with the Board's authority under the 2005-2006 ordinance. In exchange for the vested right in the annually adjusted subsidy amount upon retirement, an employee was required to contribute an additional 2% of their biweekly salary on a post-tax basis.

LAPPL and UFLAC filed two different but related lawsuits in 2012 and 2017 against the City challenging the interpretation of the 2011 LOA. In response to the central issues raised by the lawsuits, on May 2, 2024, the Board adopted a recommendation developed by the LAFPP Ad Hoc Committee on Non-Medicare Health Subsidy, which includes LAPPL and UFLAC representatives, to determine future increases to the maximum Non-Medicare Health Subsidy for LAFPP members as the lesser of:

1. The average of the annual increase in the Los Angeles Medical Care Index published by the U.S. Bureau of Labor Statistics as of the previous December and 7%; or
2. The maximum allowable increase to the Non-Medicare Health Subsidy pursuant to Los Angeles Administrative Code § 4.1154(e).

LACC § 4.115(e) authorizes the Board to increase the maximum Non-Medicare Health Subsidy by any amount up to the lesser of 7% or the Board-approved actuarial Medical Trend Rate. Only the City, as the Plan sponsor, via the City Council has the legal authority to create or modify retirement benefits, and must do so by ordinance or Charter amendment that alters the Plan. A Board policy adopted to guide the annually adjusted subsidy amount would not create any vested right to the policy's formula, nor change members' eligibility or entitlement to Plan benefits.

In an attempt to resolve the lawsuits initiated by LAPPL and UFLAC, LAFPP staff engaged representatives from Los Angeles Firemen's Relief Association (LAFRA), UFLAC, Los Angeles Police Relief Association (LAPRA), and LAPPL to create a standardized formula to guide the Board's annual determination of Non-Medicare Health Subsidy increases. Discussions resulted in the development of the following formula, which the CAO recommends for adoption by the City Council:

On an annual basis, beginning on July 1, 2026, the LAFPP Board shall determine the increase to the maximum monthly subsidy towards the health insurance premium as the lesser of:

1. The average of the annual increase in the Los Angeles Medical Care Index published by the U.S. Bureau of Labor Statistics as of the previous December and 7%; or

2. 7%; or
3. The actuarial assumed rate for medical inflation for pre-65 health benefits established by the Board for the applicable fiscal year.

To the extent the Board determines that the annual adjustments provided by the above formula are less than the amount required to keep pace with the actual premiums paid to eligible retired members' health insurance carriers, the Board may grant discretionary adjustments to the maximum monthly subsidy, in addition to the annual adjustments provided pursuant to the above formula, provided that the total increase in each year does not exceed the lesser of 7% or the actuarial assumed rate for medical inflation for pre-65 health benefits established by the Board for the applicable fiscal year.

In no event shall the annual adjustment be less than 0%.

LACERS Peace Officer Transfer Program

The CAO recommends that the City Council instruct the City Attorney to prepare and present ordinances necessary to update LAFPP Plan terms to allow for the amortization of costs and expenses associated with the LACERS Peace Officer Transfer Program. On October 31, 2025, the City Council adopted Ordinance No. 188756 to implement ballot Measure FF, following its approval by the voters of the City of Los Angeles on November 5, 2024. Measure FF amended the City Charter and authorized City Council to provide a process whereby certain sworn peace officers could transfer membership and years of service from LACERS to LAFPP Tier 6 through the LACERS Peace Officer Transfer Program (Program). Measure FF requires the City to pay the full actuarial cost of the Program as determined by an actuary to ensure cost neutrality for LAFPP, including costs and expenses associated with the transfer of past service and any increase in ongoing normal costs.

The ordinance required the City and its responsible departments to pay any costs and expenses associated with the unfunded liability at the time of transfer to safeguard against any potential impact on the contribution rates of LAFPP Tier 5 members, who, as required by LAAC section 4.2014(a), pay a lower contribution rate when the Plan is funded at 100 percent. To provide necessary flexibility to manage the amounts and timing for the City to pay the required cost and expenses for the Program, the City Council must amend the administrative code to allow for amortization of costs and expenses. Any amortization schedule will be determined by LAFPP's actuary to ensure cost neutrality, consistent with the LAFPP Board's fiduciary duties, and must continue to preclude any impact on the contribution rates for Tier 5 Members as required by LAAC section 4.2012(h), and ensure the City and its departments pay the full actuarial cost of the Program.

In order to implement the case settlement regarding health insurance premium subsidies, to allow for the amortization of the costs and expenses for the LACERS Peace Officer Transfer Program under Measure FF, and to make other necessary updates and technical amendments to LACERS and LAFPP plan provisions, the City Council must instruct the City

Attorney to prepare enabling ordinances. Completed ordinances will be presented to the City Council to be considered first by appropriate Council committees and will then be forwarded to the full City Council.

FISCAL IMPACT

According to LAFPP's actuary, updating the LAFPP Plan terms to reflect the settlement to resolve litigation over the health insurance premium subsidies should not have a fiscal impact on the City because the maximum subsidy amount remains unchanged. Calculations provided in a report prepared by LAFPP's actuary indicate that amortization of costs and expenses for the LACERS Peace Officer Transfer Program will have a fiscal impact on the General Fund. Those calculations can be seen in the actuarial report included with the council file. In the event the City declines the option to amortize these costs, paying in full will not have any additional fiscal impact beyond what has been reported as the full actuarial cost of the Program.

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