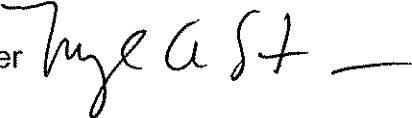


CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Date: April 7, 2014

To: The City Council

From: Miguel A. Santana, City Administrative Officer 

Subject: **ACTUARY REPORT – RETIREE MEDICAL SUBSIDY FOR MEMBERS OF CITY ATTORNEY BARGAINING UNIT MOU NOS. 29 AND 31 (C.F. 14-0262)**

In compliance with Government Code Section 7507, the attached Actuary Report is transmitted herewith for City Council consideration. The Actuary Report addresses the costs/savings associated with the proposed ordinance previously submitted to the City Council, which amends Los Angeles Administrative Code Section 4.1003 to provide for City Attorney members of Memoranda of Understanding Nos. 29 and 31 to make additional employee contributions to the retirement system and have their retiree two-party Kaiser medical subsidy vested.

The ordinance was approved initially by the City Council on March 5, 2014 (C.F. 14-0162); the related Actuary Report must be made public two weeks in advance of City Council's consideration of the ordinance for final adoption.

MAS:CEC:0714097

Attachment



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VIA E-MAIL AND USPS

April 7, 2014

Ms. Carolyn E. Cooper
Senior Labor Relations Specialist
Office of the City Administrative Officer
200 North Main Street, Room 1200
Los Angeles, CA 90012-4190

Re: Los Angeles City Employees' Retirement System (LACERS) – Cost to Provide Indexed Medical Subsidies to the City Attorneys

Dear Ms. Cooper:

We have been requested by your office to comment on the financial impact to LACERS' retirement programs under a proposed change to the Administrative Code so that the amount of the medical subsidies that has previously been assumed to be frozen for the City Attorneys will now be indexed to increase with medical inflation. It is our further understanding that in order for the City Attorneys to receive the indexed subsidies, they have agreed to make an additional contributions of 1% of payroll from February 9, 2014 to June 28, 2016 increasing to 4% of payroll on June 29, 2016.

Results and Discussions

We have estimated the financial impact to the City using the members reported under the City Attorney bargaining group codes (i.e., 29 and 31) as of the date of the latest actuarial valuations as of June 30, 2013. Also, we have used all the actuarial assumptions and methods used in preparing the original 2013 valuations.

Our results are developed in the following steps:

- 1) In the latest actuarial valuation as of June 30, 2013, it was assumed that the medical subsidies received by the City Attorneys at retirement would not be subject to increase with medical inflation. In order to implement the changes in the relevant sections of the Administrative Code, we first calculate the higher employer contributions required to the Tier 1 retiree health benefit plan that would result from assuming that the medical subsidies would increase with medical inflation on the same basis as assumed for other members is 2.35% of payroll, when calculated over the projected 2013/2014 salaries for the City Attorneys (i.e., \$71.7 million) included in the June 30, 2013 valuations.

(The increase in contribution rate is 0.09% of payroll, when calculated over the projected 2013/2014 salaries for all the active members (i.e., \$1,847.0 million) in the June 30, 2013 valuations.)

- 2) The results provided in 1) are before reflecting the additional member contributions required to be paid by the attorneys. Those additional contributions would be 1% of payroll from February 9, 2014 to June 28, 2016 and 4% of payroll on June 29, 2016.
- 3) If we offset the increase in cost in 1) with the additional contributions in 2), there would be a net increase in cost of 1.35% (2.35% minus 1%) between February 9, 2014 and June 28, 2016 followed by a net decrease in cost of 1.65% (2.35% minus 4%) on June 29, 2016. These results are based on payroll for the City Attorneys.

(The net increase in contribution rate is 0.05% of payroll between February 9, 2014 and June 28, 2016 and the net decrease in contribution rate is 0.06% of payroll on June 29, 2016, when calculated over the projected salaries of all the members in the June 30, 2013 valuation.)

All the results included in this letter have been calculated assuming contributions would be paid at the end of each pay period. These results have been prepared by Thomas Bergman, ASA, EA, MAAA.

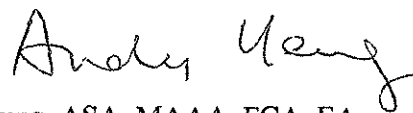
The undersigned are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Please let us know if you have any questions.

Sincerely,



Paul Angelo, FSA, MAAA, FCA, EA
Senior Vice President and Actuary



Andy Yeung, ASA, MAAA, FCA, EA
Vice President and Associate Actuary



Thomas Bergman, ASA, MAAA, EA
Assistant Actuary

AYY/gxk

cc: Maritta Aspen
Tom Moutes