File No. 14-1200

BUDGET AND FINANCE COMMITTEE REPORT relative to a request to increase the retiree maximum medical subsidy for Plan Year 2015 for Tier 1 Discretionary Retired Members.

Recommendation for Council action:

Approve the 2015 maximum medical plan premium subsidy increase of 7.93 percent for Tier 1 Discretionary Retired Members as recommended by the Board of the Los Angeles City Employees' Retirement System (LACERS).

Fiscal Impact Statement: The City Administrative Officer (CAO) reports that approval of a 7.93 percent increase to the 2015 Tier 1 Discretionary Retired Member's maximum monthly medical plan premium subsidy will result in no additional costs to the City as the proposed increase is lower than the current 8.0 percent actuarial medical trend rate that was anticipated in the LACERS valuation and reflected in the 2014-15 City contribution rate. This translates into minor savings to the City contribution to LACERS. The fiscal impact will be ongoing for 15 years under the current LACERS funding policy for experience gains. First year savings to the City contribution are estimated at approximately $7,649 (General Fund) or $9,443 (General Fund plus proprietary departments), however, a smaller increase would result in larger savings. The savings are expected to increase every year over the remaining 14 years along with the assumed (actuarial) payroll growth rate of 4.25 percent.

Community Impact Statement: None submitted.

TIME LIMIT FILE - SEPTEMBER 28, 2014

(LAST DAY FOR COUNCIL ACTION - SEPTEMBER 26, 2014)

(Personnel and Animal Welfare Committee waived consideration of the above matter)

SUMMARY

At its meeting of September 25, 2014, the Budget and Finance Committee considered LACERS and CAO reports relative to a request to increase the retiree maximum medical subsidy for Plan Year 2015 for Tier 1 Discretionary Retired Members. The CAO reports that LACERS has requested an increase in the retiree maximum medical subsidy of 7.93 percent for plan year 2015 for Tier 1 Discretionary Retired Members. This group of retirees consists of individuals who retired on or before July 1, 2011 and did not pay additional contributions to receive vested increases to their maximum subsidies. The proposed increase is the equivalent of a $116.08 increase to the maximum monthly medical plan premium subsidy or $1,392.96 a year per employee. Further details are specified in the LACERS and CAO reports attached to the Council file. Additionally, a copy of the actuarial report is included with the LACERS report.

During Committee consideration, representatives of the CAO and LACERS provided an overview of the matter and responded to related questions from Committee members. After a lengthy discussion and having provided an opportunity for public comment, the Budget and Finance Committee recommended that Council approve the LACERS and CAO recommendation of a 7.93 percent increase in the retiree maximum medical subsidy for

Plan Year 2015 for Tier 1 Discretionary Retired Members. This matter is now forwarded to the Council for its consideration.

Respectfully Submitted,

BUDGET AND FINANCE COMMITTEE

MEMBER	**VOTE**
KREKORIAN:	YES
ENGLANDER:	YES
KORETZ:	ABSENT
BLUMENFIELD:	YES
BONIN:	YES

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-NOT OFFICIAL UNTIL COUNCIL ACTS-