



Office of the Los Angeles City Attorney  
Hydee Feldstein Soto

REPORT NO. R 2 4 - 0 3 2 3  
JUN 2 0 2024

**REPORT RE:**

**DRAFT CHARTER AMENDMENT REGARDING THE TRANSFER OF MEMBERSHIP OF PEACE OFFICERS CURRENTLY EMPLOYED BY THE CITY'S POLICE, AIRPORT, HARBOR, AND RECREATION AND PARKS DEPARTMENTS, FROM THE LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM TO TIER 6 OF THE LOS ANGELES FIRE AND POLICE PENSION PLAN; AND DRAFT BALLOT RESOLUTIONS AND ELECTION ORDINANCE PLACING THE CHARTER AMENDMENT ON THE NOVEMBER 5, 2024 BALLOT**

The Honorable City Council  
of the City of Los Angeles  
Room 395, City Hall  
200 North Spring Street  
Los Angeles, California 90012

Honorable Members:

On June 4, 2024, the City Council adopted the recommendation of the Ad Hoc Governance Reform Committee to request that this Office prepare the documents necessary for a Charter amendment regarding the transfer of membership of peace officers currently employed by the City's Police, Airport, Harbor, and Recreation and Parks Departments, from the Los Angeles City Employees' Retirement System (LACERS) to Tier 6 of the Los Angeles Fire and Police Pension Plan (LAFPP). (See CF 23-1027 and Motion 27E.) This Office hereby transmits the draft Charter amendment, the election ordinance, and the ballot resolutions necessary to place the Charter amendment on the ballot at the City's General Municipal Election to be held on November 5, 2024. We have approved the draft Charter amendment, ordinance, and resolutions as to form and legality.



### Background

Currently, some City employees who are sworn peace officers and who perform peace officer duties for the City's Police, Airport, Harbor, and Recreation and Parks Departments, are members of LACERS. Exhibit 1, which is attached to this report, provides a list of the class titles and class codes of employees who would be covered by the proposed Charter amendment if they are actively employed on January 12, 2025. These employees are referred to in this report as "LACERS Peace Officers."

This Charter amendment, if adopted by the voters, would present the fourth time the Charter has authorized eligible groups of LACERS Peace Officers to transfer into LAFPP. Except for those employed by the Department of Recreation and Parks, LACERS Peace Officers who remain in LACERS declined to transfer to LAFPP during previous transfer opportunities, which required them to purchase some amount of their prior service at full actuarial cost. In 2018, those employed by the Department of Airports could make an irrevocable election to transfer to LAFPP Tier 6 pursuant to Charter Section 1704. In 2015, those employed by the Police Department could make an irrevocable election to transfer to LAFPP Tier 6 pursuant to Charter Section 1703. In 2006, those employed by the Harbor Department could make an irrevocable election to transfer to LAFPP Tier 5 pursuant Los Angeles Administrative Code Section 4.2000.

The vast majority of the City's other sworn peace officer employees are members of LAFPP. Tier 6 of LAFPP is the pension plan for eligible LAFPP members hired on or after July 1, 2011. Peace officers hired to the Department of Airports after January 7, 2018 and to the Harbor Department after January 8, 2006 are automatically enrolled as members of LAFPP.

This draft Charter amendment is consistent with Letters of Agreement (LOAs) executed between the City and bargaining units represented by the Los Angeles Airport Peace Officers' Association (LAAPOA), enclosed as Exhibit 2. The LOAs were previously approved by the City Council on March 22, 2024 as a part of agreements with LAAPOA and the Los Angeles Port Police Association on successor Memoranda of Understanding (MOUs).<sup>1</sup> Additionally, this draft Charter amendment is consistent with actions taken by the Executive Employee Relations Committee (EERC) on August 23, 2022 and September 12, 2023, to include in the Charter amendment sworn employees of the City's Police and Harbor Departments who are current LACERS members.

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<sup>1</sup> The MOUs pertain to the following bargaining units: the Los Angeles Municipal Police Officers Representation Unit (MOU 28), the Airport Peace Officers Representation Unit (MOU 30), the Los Angeles Port Police Association (MOU 38), the Airport Supervisory Peace Officers Representation Unit (MOU 39), and the Park Ranger Representation Unit (MOU 65). The relevant Letters of Agreement pertaining to this Charter amendment are included as Exhibit 2.

Summary of Proposed Charter Amendment

If adopted by the voters, this measure would amend certain sections of Article XI, Part 3 of the Charter, and authorize the City Council to adopt an implementing ordinance and amend relevant provisions of the LACERS plan codified in the Los Angeles Administrative Code. The measure's four key components are summarized herein.

First, the measure would authorize the City Council to provide by ordinance for a process whereby LACERS Peace Officers actively employed on January 12, 2025, may make a one-time irrevocable election to transfer their membership from LACERS into Tier 6 of LAFPP and to transfer all of their prior years of service from LACERS to Tier 6 upon membership. All prior City service and employer contributions would also be required to be transferred.

Second, the measure would authorize the City Council to provide by ordinance for a process by which certain Tier 6 Members would transfer remaining City service from LACERS to Tier 6. This prior City service was not transferred previously, either because these employees elected not to do so at the time of their transfer to Tier 6, or because they were precluded from doing so pursuant to Charter Section 1703.

Third, the measure would require LAFPP to provide tax-compliant refunds of all monies previously paid by Tier 6 Members to purchase any portion of their City service or Tier 6 Health Benefits pursuant to Los Angeles Administrative Code Sections 4.2214 and 4.2215. Those tax-compliant refund amounts are reported in the actuarial statements enclosed as Exhibit 3.

Fourth, the measure would require the City to pay all costs associated with the transfer of LACERS Peace Officers from LACERS to LAFPP Tier 6, and to reimburse LAFPP with the full cost of monies refunded to Tier 6 Members pursuant to any ordinance adopted pursuant to the Charter amendment, as stated in the LOAs. The City's General Fund, Department of Airports, Harbor Department, and Department of Recreation and Parks (on behalf of their respective employees) would cover all costs associated with transferring pension plan membership and prior service. Additionally, the City and the Department of Airports would reimburse LAFPP for all costs associated with issuing refunds to Tier 6 Members who previously paid to purchase any portion of their prior City service. Harbor Department members are not eligible for refunds because a refund process for Tier 5 Members who purchased prior City service was not contemplated or established in the LOAs or successor MOUs, nor has the City Council instructed this Office to include refunds to any Tier 5 Members as part of the measure.<sup>2</sup>

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<sup>2</sup> Should the City Council wish to add a process for issuing similar refunds to Tier 5 members, this Office respectfully suggests referring such a request to the Ad Hoc Committee on City Governance Reform for future consideration. Unfortunately, in order to place the current version of the measure on the November 5, 2024 ballot, there is insufficient time to comply with the notice requirements imposed by California Government Code Section 7507.

The costs for both the transfer and refunds are included in the actuarial statements enclosed as Exhibit 3.

#### Council Rule 38 Referral

A copy of this report and the accompanying documents was sent, pursuant to Council Rule 38, to the City Clerk, City Administrative Officer (CAO), the Board of Fire and Police Pension Commissioners, and the LACERS Board of Administration. This Office worked with staff of the CAO's office, LAFPP, and LACERS, to prepare the documents and their respective comments have been incorporated or will be presented to the City Council when it considers this matter.

#### Government Code Section 7507 Requirements

Pursuant to Government Code Section 7507, Subsections (b)(1) and (c)(1), the City has obtained statements of the actuarial impact of the proposed measure upon the City's future annual costs from LAFPP's actuary, including normal cost and any additional accrued liability, including the costs associated with the transfer of past service for transferring LACERS Peace Officers to LAFPP Tier 6, and the costs of providing tax-compliant refunds to eligible Tier 6 Members who purchased any portion of prior City service. These actuarial statements are included as Exhibit 3. They were made public on June 10, 2024, which is more than two weeks prior to the City Council's consideration and possible adoption of this proposed ballot measure. (See CF-23-1027 and Communication from City Administrative Officer - Actuarial Report for LAFPP Tier 6 Transfers.)

#### Voter Approval and Election Requirements

The Charter amendment requires approval by a majority of the voters of the City of Los Angeles to be adopted.

City Election Code Section 601 requires that final resolutions to place a measure on the ballot must be adopted no less than 110 days before the election. For the November 5, 2024 election, in light of the City Council's recess schedule, the deadline for the City Council to adopt the resolutions containing the final language of the Charter amendment in a regular meeting is July 3, 2024.

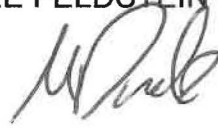
The Honorable City Council  
of the City of Los Angeles  
Page 5

If you have any questions regarding this matter, please contact Deputy City Attorney Gina Di Domenico at (213) 978-7050 or Assistant City Attorney Harit Trivedi at (213) 978-7100.

Sincerely,

HYDEE FELDSTEIN SOTO, City Attorney

By



MICHAEL J. DUNDAS  
Senior Assistant City Attorney

MJD:GDD:HT:pj  
Attachments  
Transmittals

## EXHIBIT 1

### CHARTER AMENDMENT REGARDING ENROLLMENT OF AIRPORT PEACE OFFICERS IN LOS ANGELES FIRE AND POLICE PENSION PLAN

The following is a list of class titles and class codes, grouped by Memorandum of Understanding (MOU), which would be covered by the proposed measure.

#### MOU 24

Police Officer I (2214-1)  
Police Specialist (2217)  
Police Officer II (2214-2)  
Police Officer III (2214-3)  
Police Detective I (2223-1)  
Police Detective II (2223-2)  
Police Detective III (2223-3)  
Police Sergeant I (2227-1)  
Police Sergeant II (2227-2)  
Police Lieutenant I (2232-1)  
Police Lieutenant II (2232-2)

#### MOU 25

Police Captain I (7073)  
Police Captain II (2244-2)  
Police Captain III (2244-3)  
Police Commander (2251)  
Deputy Police Chief I (2262-1)  
Deputy Police Chief II (2262-2)  
Municipal Police Captain I (3188-1)  
Municipal Police Captain II (3188-2)

#### MOU 28

Municipal Police Officer I (3183-1)  
Municipal Police Officer II (3183-2)  
Municipal Police Officer III (3183-3)

#### MOU 38

Port Police Officer I (3221-1)  
Port Police Officer F (3221-F)  
Port Police Officer II (3221-2)  
Port Police Specialist (3238-0)  
Port Police Officer III (3221-3)  
Port Police Sergeant (3222-0)

MOU 27

Port Police Lieutenant (3223-0)

Port Police Captain (3224-0)

Port Warden I (0801-1)

Port Warden II (0801-2)

MOU 30

Airport Police Officer I (3225-1)

Airport Police Officer F (3225-F)

Airport Police Officer II (3225-2)

Airport Police Officer III (3225-3)

Airport Police Specialist (3333-0)

Airport Safety Officer I (3202-1)

Airport Safety Officer II (3202-2)

MOU 36

Chief Park Ranger (1968-0)

MOU 39

Municipal Police Sergeant (3185-0)

Airport Police Sergeant (3226-0)

Airport Police Lieutenant (3227-0)

Senior Airport Safety Officer (3203)

MOU 40

Airport Police Captain I (3228-1)

Airport Police Captain II (3228-2)

MOU 65

Park Ranger (1966-0)

Senior Park Ranger I (1967-1)

Senior Park Ranger II (1967-2)

Non-Represented (MOU 00)

Chief Airport Safety Officer (3205)

Assistant Airport Police Chief (3234)

Airport Police Chief (3232)

**EXHIBIT 2**  
**LETTERS OF AGREEMENT**

**MEMORANDUM OF UNDERSTANDING  
FOR JOINT SUBMISSION TO THE CITY COUNCIL  
REGARDING THE LOS ANGELES MUNICIPAL  
POLICE OFFICERS REPRESENTATION UNIT  
(MOU# 28)**

**THIS MEMORANDUM OF UNDERSTANDING  
made and entered into this 20<sup>th</sup> of March, 2024.**

**BY AND BETWEEN**

**THE CITY OF LOS ANGELES**

**AND THE**

**LOS ANGELES AIRPORT PEACE OFFICERS ASSOCIATION**

**June 19, 2022 through September 4, 2026**

**LETTER OF AGREEMENT**  
**RETIREMENT BENEFITS ENHANCEMENT**

The City and the Association have an interest in ensuring an appropriate level of retirement benefit for bargaining Unit members. In that regard, the City commissioned an actuarial evaluation of transferring all eligible bargaining Unit members who are currently enrolled in the Los Angeles City Employees Retirement System (LACERS) into Tier 6 of the Los Angeles Fire and Police Pension System (LAFPP). The LACERS members who would be eligible to transfer are those actively employed as of January 12, 2025, as sworn peace officers in the Los Angeles Police Department, Airport Department, and Harbor Department, following certification of final election results if the proposed November 2024 ballot measure is approved by a majority vote of the electorate, and based on the subsequent decision to transfer by each eligible member, as discussed herein and as shall be set forth in an implementing ordinance of the Los Angeles City Council (Council) after certification of the approval of the ballot measure.

The Council may consider the additional inclusion of Park Rangers employed by the Department of Recreation and Parks at a later date following approval of this LOA and before the last date for Council to act to place the ballot measure on the November 2024 election ballot. As these employees are not employed by the Police Department or Fire Department, their benefits under LAFPP shall be subject to any tax compliance requirements, including, but not limited to, the actuarial reduction for retirement prior to age 62 under Internal Revenue Code section 415(b).

The transfer would require an amendment to the Los Angeles City Charter (Charter) and therefore must be approved by a vote of the City electorate in order to take effect. Upon such approval, and subject to the process set forth in an implementing ordinance of the Council, each eligible bargaining Unit member will be provided the opportunity to make an informed individual decision whether to transfer into Tier 6 of LAFPP or remain in their current tier of LACERS.

If a ballot measure (projected for the November 2024 election) is approved by a majority vote of the City electorate, the Charter would be amended, and an implementing ordinance would be presented to the Council to allow eligible members to make an informed and irrevocable decision to terminate their LACERS membership and to transfer into LAFPP Tier 6. Those who elect to transfer would be awarded years of service for retirement benefits purposes as if they had been members of LAFPP Tier 6 on the first date they commenced membership in LACERS and employment as a sworn peace officer with the Los Angeles Police Department, Airport Department, Harbor Department, or as a Park Ranger with the Department of Recreation and Parks (subject to the inclusion of the Park Ranger members by action of the Council), thereby providing all commensurate benefits for Tier 6 members, including, but not limited to, access to the Deferred Retirement Option Plan (DROP) and LAFPP Retiree Health Subsidy. Eligibility for enrollment in group health plans administered by third parties including the Los Angeles

Police Protective League, United Firefighters of Los Angeles City, Los Angeles Police Relief Association, and Los Angeles Fire Relief Association, shall be subject to the enrollment criteria determined by those third parties and shall not be the responsibility of the City or LAFPP.

The intent is for the City to pay all costs associated with the transfer of employees, including, but not limited to, the cost of all actuarial studies, the full cost of transferring each eligible employee into LAFPP Tier 6 who opts to make that transfer, and the costs associated with the ballot measure election.

If the ballot measure is approved by the voters:

- A. The bonus amounts illustrated in Appendix C of this MOU would be codified as base wage adjustments effective January 12, 2025.
- B. Bonus amounts and compensation adjustments illustrated in Appendices D and E of this MOU will be nullified in lieu of the Tier 6 pension enhancement.
- C. Notwithstanding Article 6.1 (Salaries) G. through I. (inclusive), the provisions of RIP will terminate at the end of January 11, 2025.
- D. Any bargaining Unit member who: (i) previously opted to remain in LACERS rather than transfer to LAFPP, and who paid to receive enhanced benefits in LACERS as Airport Peace Officer Members, pursuant to Los Angeles Administrative Code Section 4.1002(e)(2); or (ii) elected to terminate their LACERS membership and transfer into LAFPP Tier 6, and to purchase their prior service at full actuarial cost pursuant to Los Angeles Charter Section 1704(b)(1), will receive a full reimbursement by the City for out-of-pocket costs incurred, in a method compliant with federal tax law requirements, and consistent with level contribution rates. However, all personal tax consequences under either option remain the sole responsibility of the individual employee. Moreover, the City shall not pay any interest on reimbursed amounts.

If the ballot measure is rejected by the voters:

- A. The bonus amounts and compensation adjustments as illustrated in Appendices A through E and as outlined in Article 6.1 (Salaries), C. through F. (inclusive) will not terminate on January 11, 2025 and shall remain in effect.
- B. The Association may request to meet and confer over another form of enhanced retirement benefit.


**LETTER OF AGREEMENT  
RETIREMENT BENEFITS ENHANCEMENT**

**FOR LAAPOA:**

*Stephen Leonesio*  
Stephen Leonesio  
Labor Relations Consultant

03/19/2024  
Date

**FOR THE CITY:**

  
Matthew W. Szabo  
City Administrative Officer

3/20/2024  
Date

**MEMORANDUM OF UNDERSTANDING  
FOR JOINT SUBMISSION TO THE CITY COUNCIL  
REGARDING THE AIRPORT PEACE OFFICERS REPRESENTATION UNIT  
(MOU #30)**

**THIS MEMORANDUM OF UNDERSTANDING  
made and entered into this 20<sup>th</sup> of March, 2024.**

**BY AND BETWEEN**

**THE CITY OF LOS ANGELES**

**AND THE**

**THE LOS ANGELES AIRPORT PEACE OFFICERS ASSOCIATION**

**June 19, 2022 through September 4, 2026**

**LETTER OF AGREEMENT**  
**RETIREMENT BENEFITS ENHANCEMENT**

The City and the Association have an interest in ensuring an appropriate level of retirement benefit for bargaining Unit members. In that regard, the City commissioned an actuarial evaluation of transferring all eligible bargaining Unit members who are currently enrolled in the Los Angeles City Employees Retirement System (LACERS) into Tier 6 of the Los Angeles Fire and Police Pension System (LAFPP). The LACERS members who would be eligible to transfer are those actively employed as of January 12, 2025, as sworn peace officers in the Los Angeles Police Department, Airport Department, and Harbor Department, following certification of final election results if the proposed November 2024 ballot measure is approved by a majority vote of the electorate, and based on the subsequent decision to transfer by each eligible member, as discussed herein and as shall be set forth in an implementing ordinance of the Los Angeles City Council (Council) after certification of the approval of the ballot measure.

The Council may consider the additional inclusion of Park Rangers employed by the Department of Recreation and Parks at a later date following approval of this LOA and before the last date for Council to act to place the ballot measure on the November 2024 election ballot. As these employees are not employed by the Police Department or Fire Department, their benefits under LAFPP shall be subject to any tax compliance requirements, including, but not limited to, the actuarial reduction for retirement prior to age 62 under Internal Revenue Code section 415(b).

The transfer would require an amendment to the Los Angeles City Charter (Charter) and therefore must be approved by a vote of the City electorate in order to take effect. Upon such approval, and subject to the process set forth in an implementing ordinance of the Council, each eligible bargaining Unit member will be provided the opportunity to make an informed individual decision whether to transfer into Tier 6 of LAFPP or remain in their current tier of LACERS.

If a ballot measure (projected for the November 2024 election) is approved by a majority vote of the City electorate, the Charter would be amended, and an implementing ordinance would be presented to the Council to allow eligible members to make an informed and irrevocable decision to terminate their LACERS membership and to transfer into LAFPP Tier 6. Those who elect to transfer would be awarded years of service for retirement benefits purposes as if they had been members of LAFPP Tier 6 on the first date they commenced membership in LACERS and employment as a sworn peace officer with the Los Angeles Police Department, Airport Department, Harbor Department, or as a Park Ranger with the Department of Recreation and Parks (subject to the inclusion of the Park Ranger members by action of the Council), thereby providing all commensurate benefits for Tier 6 members, including, but not limited to, access to the Deferred Retirement Option Plan (DROP) and LAFPP Retiree Health Subsidy. Eligibility for enrollment in group health plans administered by third parties including the Los Angeles

Police Protective League, United Firefighters of Los Angeles City, Los Angeles Police Relief Association, and Los Angeles Fire Relief Association, shall be subject to the enrollment criteria determined by those third parties and shall not be the responsibility of the City or LAFPP.

The intent is for the City to pay all costs associated with the transfer of employees, including, but not limited to, the cost of all actuarial studies, the full cost of transferring each eligible employee into LAFPP Tier 6 who opts to make that transfer, and the costs associated with the ballot measure election.

If the ballot measure is approved by the voters:

- A. The bonus amounts illustrated in Appendix C of this MOU would be codified as base wage adjustments effective January 12, 2025.
- B. Bonus amounts and compensation adjustments illustrated in Appendices D and E of this MOU will be nullified in lieu of the Tier 6 pension enhancement.
- C. Notwithstanding Article 6.1 (Salaries) G. through I. (inclusive), the provisions of RIP will terminate at the end of January 11, 2025.
- D. Any bargaining Unit member who: (i) previously opted to remain in LACERS rather than transfer to LAFPP, and who paid to receive enhanced benefits in LACERS as Airport Peace Officer Members, pursuant to Los Angeles Administrative Code Section 4.1002(e)(2); or (ii) elected to terminate their LACERS membership and transfer into LAFPP Tier 6, and to purchase their prior service at full actuarial cost pursuant to Los Angeles Charter Section 1704(b)(1), will receive a full reimbursement by the City for out-of-pocket costs incurred, in a method compliant with federal tax law requirements, and consistent with level contribution rates. However, all personal tax consequences under either option remain the sole responsibility of the individual employee. Moreover, the City shall not pay any interest on reimbursed amounts.

If the ballot measure is rejected by the voters:

- A. The bonus amounts and compensation adjustments as illustrated in Appendices A through E and as outlined in Article 6.1 (Salaries), C. through F. (inclusive) will not terminate on January 11, 2025 and shall remain in effect.
- B. The Association may request to meet and confer over another form of enhanced retirement benefit.

**LETTER OF AGREEMENT  
RETIREMENT BENEFITS ENHANCEMENT**

**FOR LAAPOA:**

*Stephen Leonesio*  
Stephen Leonesio  
Labor Relations Consultant

03/19/2024  
Date

**FOR THE CITY:**

  
Matthew W. Szabo  
City Administrative Officer

3/20/2024  
Date

**MEMORANDUM OF UNDERSTANDING  
FOR JOINT SUBMISSION TO THE CITY COUNCIL  
REGARDING THE HARBOR PEACE OFFICERS' UNIT  
(MOU #38)**

**THIS MEMORANDUM OF UNDERSTANDING  
made and entered into this 5<sup>th</sup> of December, 2023.**

**BY AND BETWEEN**

**THE CITY OF LOS ANGELES**

**AND THE**

**LOS ANGELES PORT POLICE ASSOCIATION, ILWU LOCAL 65**

**July 3, 2022 through September 4, 2027**

## LETTER OF AGREEMENT

### RETIREMENT BENEFITS ENHANCEMENT

The City and the Association have an interest in ensuring an appropriate level of retirement benefit for bargaining Unit members. In that regard, the City has commissioned an actuarial evaluation of transferring all bargaining Unit members who are currently enrolled in the Los Angeles City Employees Retirement System (LACERS) into the Los Angeles Fire and Police Pension System (LAFPP) Tier 6 into said Tier. The move must be effectuated by a vote of the City of Los Angeles electorate.

A ballot measure (projected for the November 2024 election) calling for the voluntary transfer of LACERS members into LAFPP Tier 6 would provide that all elected members become LAFPP Tier 6 members retroactively to the date of an individual employee's employment, thereby providing all commensurate benefits, including but not limited to access to the Deferred Retirement Option Plan (DROP) and LAFPP Retiree Health Subsidy.

The intent is for the City to pay all costs associated with the transfer of employees, including but not limited to the cost of all actuary studies, the full cost of each employee's transfer into LAFPP Tier 6, and costs associated with the election.

If the ballot measure is approved by the voters:


- A. Any bargaining Unit member currently in LASERS will have the option to transfer to the LAFPP Tier 6 at City expense.
- B. Any bargaining Unit member who previously paid to be enrolled in and covered by the LACERS Public Safety Enhancement or LAFPP Tier 6 will receive a full reimbursement by the City for out-of-pocket costs incurred.

If the ballot measure is **rejected** by the voters:

- A. This Letter of Agreement will be null and void.


**IN WITNESS WHEREOF**, the parties have caused their duly authorized representatives to execute this Memorandum of Understanding the day, month, and year first above written.

**FOR THE UNION:**

  
\_\_\_\_\_  
Angelo Cumpian  
Los Angeles Port Police Association

11-30-23  
Date

**FOR THE CITY:**

  
\_\_\_\_\_  
Matthew W. Szabo  
City Administrative Officer

12/5/2023  
Date

**Approved as to Form and Legality:**

  
\_\_\_\_\_  
Office of the City Attorney

11/30/23  
Date

**MEMORANDUM OF UNDERSTANDING  
FOR JOINT SUBMISSION TO THE CITY COUNCIL  
REGARDING THE AIRPORT SUPERVISORY PEACE OFFICERS UNIT  
(MOU #39)**

**THIS MEMORANDUM OF UNDERSTANDING  
made and entered into this 20<sup>th</sup> of March, 2024.**

**BY AND BETWEEN**

**THE CITY OF LOS ANGELES**

**AND THE**

**LOS ANGELES AIRPORT POLICE SUPERVISORS ASSOCIATION**

**June 19, 2022 through September 4, 2026**

## LETTER OF AGREEMENT

### RETIREMENT BENEFITS ENHANCEMENT

The City and the Association have an interest in ensuring an appropriate level of retirement benefit for bargaining Unit members. In that regard, the City commissioned an actuarial evaluation of transferring all eligible bargaining Unit members who are currently enrolled in the Los Angeles City Employees Retirement System (LACERS) into Tier 6 of the Los Angeles Fire and Police Pension System (LAFPP). The LACERS members who would be eligible to transfer are those actively employed as of January 12, 2025, as sworn peace officers in the Los Angeles Police Department, Airport Department, and Harbor Department, following certification of final election results if the proposed November 2024 ballot measure is approved by a majority vote of the electorate, and based on the subsequent decision to transfer by each eligible member, as discussed herein and as shall be set forth in an implementing ordinance of the Los Angeles City Council (Council) after certification of the approval of the ballot measure.

The Council may consider the additional inclusion of Park Rangers employed by the Department of Recreation and Parks at a later date following approval of this LOA and before the last date for Council to act to place the ballot measure on the November 2024 election ballot. As these employees are not employed by the Police Department or Fire Department, their benefits under LAFPP shall be subject to any tax compliance requirements, including, but not limited to, the actuarial reduction for retirement prior to age 62 under Internal Revenue Code section 415(b).

The transfer would require an amendment to the Los Angeles City Charter (Charter) and therefore must be approved by a vote of the City electorate in order to take effect. Upon such approval, and subject to the process set forth in an implementing ordinance of the Council, each eligible bargaining Unit member will be provided the opportunity to make an informed individual decision whether to transfer into Tier 6 of LAFPP or remain in their current tier of LACERS.

If a ballot measure (projected for the November 2024 election) is approved by a majority vote of the City electorate, the Charter would be amended, and an implementing ordinance would be presented to the Council to allow eligible members to make an informed and irrevocable decision to terminate their LACERS membership and to transfer into LAFPP Tier 6. Those who elect to transfer would be awarded years of service for retirement benefits purposes as if they had been members of LAFPP Tier 6 on the first date they commenced membership in LACERS and employment as a sworn peace officer with the Los Angeles Police Department, Airport Department, Harbor Department, or as a Park Ranger with the Department of Recreation and Parks (subject to the inclusion of the Park Ranger members by action of the Council), thereby providing all commensurate benefits for Tier 6 members, including, but not limited to, access to the Deferred Retirement Option Plan (DROP) and LAFPP Retiree Health Subsidy. Eligibility for enrollment in group health plans administered by third parties including the Los Angeles

Police Protective League, United Firefighters of Los Angeles City, Los Angeles Police Relief Association, and Los Angeles Fire Relief Association, shall be subject to the enrollment criteria determined by those third parties and shall not be the responsibility of the City or LAFPP.

The intent is for the City to pay all costs associated with the transfer of employees, including, but not limited to, the cost of all actuarial studies, the full cost of transferring each eligible employee into LAFPP Tier 6 who opts to make that transfer, and the costs associated with the ballot measure election.

If the ballot measure is approved by the voters:

- A. The bonus amounts illustrated in Appendix C of this MOU would be codified as base wage adjustments effective January 12, 2025.
- B. Bonus amounts and compensation adjustments illustrated in Appendices D and E of this MOU will be nullified in lieu of the Tier 6 pension enhancement.
- C. Notwithstanding Article 6.1 (Salaries) G. through I. (inclusive), the provisions of RIP will terminate at the end of January 11, 2025.
- D. Any bargaining Unit member who: (i) previously opted to remain in LACERS rather than transfer to LAFPP, and who paid to receive enhanced benefits in LACERS as Airport Peace Officer Members, pursuant to Los Angeles Administrative Code Section 4.1002(e)(2); or (ii) elected to terminate their LACERS membership and transfer into LAFPP Tier 6, and to purchase their prior service at full actuarial cost pursuant to Los Angeles Charter Section 1704(b)(1), will receive a full reimbursement by the City for out-of-pocket costs incurred, in a method compliant with federal tax law requirements, and consistent with level contribution rates. However, all personal tax consequences under either option remain the sole responsibility of the individual employee. Moreover, the City shall not pay any interest on reimbursed amounts.

If the ballot measure is rejected by the voters:

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- B. The Association may request to meet and confer over another form of enhanced retirement benefit.

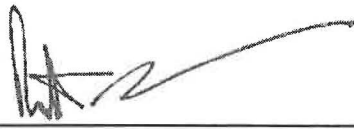
**LETTER OF AGREEMENT  
RETIREMENT BENEFITS ENHANCEMENT**

**FOR LAAPOA:**

*Stephen Leonesio*  
Stephen Leonesio  
Labor Relations Consultant

03/19/2024  
Date

**FOR THE CITY:**

  
Matthew W. Szabo  
City Administrative Officer

3/20/2024  
Date

**MEMORANDUM OF UNDERSTANDING  
FOR JOINT SUBMISSION TO THE CITY COUNCIL  
REGARDING THE PARK RANGER REPRESENTATION UNIT  
(MOU #65)**

**THIS MEMORANDUM OF UNDERSTANDING  
made and entered into this 20<sup>th</sup> of March, 2024.**

**BY AND BETWEEN**

**THE CITY OF LOS ANGELES**

**AND THE**

**THE LOS ANGELES AIRPORT PEACE OFFICERS ASSOCIATION**

**June 19, 2022 through September 4, 2026**

**LETTER OF AGREEMENT**  
**RETIREMENT BENEFITS ENHANCEMENT**

The City and the Association have an interest in ensuring an appropriate level of retirement benefit for bargaining Unit members. In that regard, the City commissioned an actuarial evaluation of transferring all eligible bargaining Unit members who are currently enrolled in the Los Angeles City Employees Retirement System (LACERS) into Tier 6 of the Los Angeles Fire and Police Pension System (LAFPP). The LACERS members who would be eligible to transfer are those actively employed as of January 12, 2025, as sworn peace officers in the Los Angeles Police Department, Airport Department, and Harbor Department, following certification of final election results if the proposed November 2024 ballot measure is approved by a majority vote of the electorate, and based on the subsequent decision to transfer by each eligible member, as discussed herein and as shall be set forth in an implementing ordinance of the Los Angeles City Council (Council) after certification of the approval of the ballot measure.

The Council may consider the additional inclusion of Park Rangers employed by the Department of Recreation and Parks at a later date following approval of this LOA and before the last date for Council to act to place the ballot measure on the November 2024 election ballot. As these employees are not employed by the Police Department or Fire Department, their benefits under LAFPP shall be subject to any tax compliance requirements, including, but not limited to, the actuarial reduction for retirement prior to age 62 under Internal Revenue Code section 415(b).

The transfer would require an amendment to the Los Angeles City Charter (Charter) and therefore must be approved by a vote of the City electorate in order to take effect. Upon such approval, and subject to the process set forth in an implementing ordinance of the Council, each eligible bargaining Unit member will be provided the opportunity to make an informed individual decision whether to transfer into Tier 6 of LAFPP or remain in their current tier of LACERS.

If a ballot measure (projected for the November 2024 election) is approved by a majority vote of the City electorate, the Charter would be amended, and an implementing ordinance would be presented to the Council to allow eligible members to make an informed and irrevocable decision to terminate their LACERS membership and to transfer into LAFPP Tier 6. Those who elect to transfer would be awarded years of service for retirement benefits purposes as if they had been members of LAFPP Tier 6 on the first date they commenced membership in LACERS and employment as a sworn peace officer with the Los Angeles Police Department, Airport Department, Harbor Department, or as a Park Ranger with the Department of Recreation and Parks (subject to the inclusion of the Park Ranger members by action of the Council), thereby providing all commensurate benefits for Tier 6 members, including, but not limited to, access to the Deferred Retirement Option Plan (DROP) and LAFPP Retiree Health Subsidy. Eligibility for enrollment in group health plans administered by third parties including the Los Angeles

Police Protective League, United Firefighters of Los Angeles City, Los Angeles Police Relief Association, and Los Angeles Fire Relief Association, shall be subject to the enrollment criteria determined by those third parties and shall not be the responsibility of the City or LAFPP.

The intent is for the City to pay all costs associated with the transfer of employees, including, but not limited to, the cost of all actuarial studies, the full cost of transferring each eligible employee into LAFPP Tier 6 who opts to make that transfer, and the costs associated with the ballot measure election.

If the ballot measure is approved by the voters:

- A. The bonus amounts illustrated in Appendix C of this MOU would be codified as base wage adjustments effective January 12, 2025.
- B. Bonus amounts and compensation adjustments illustrated in Appendices D and E of this MOU will be nullified in lieu of the Tier 6 pension enhancement.
- C. Notwithstanding Article 6.1 (Salaries) G. through I. (inclusive), the provisions of RIP will terminate at the end of January 11, 2025.
- D. Any bargaining Unit member who: (i) previously opted to remain in LACERS rather than transfer to LAFPP, and who paid to receive enhanced benefits in LACERS as Airport Peace Officer Members, pursuant to Los Angeles Administrative Code Section 4.1002(e)(2); or (ii) elected to terminate their LACERS membership and transfer into LAFPP Tier 6, and to purchase their prior service at full actuarial cost pursuant to Los Angeles Charter Section 1704(b)(1), will receive a full reimbursement by the City for out-of-pocket costs incurred, in a method compliant with federal tax law requirements, and consistent with level contribution rates. However, all personal tax consequences under either option remain the sole responsibility of the individual employee. Moreover, the City shall not pay any interest on reimbursed amounts.

If the ballot measure is rejected by the voters:

- A. The bonus amounts and compensation adjustments as illustrated in Appendices A through E and as outlined in Article 6.1 (Salaries), C. through F. (inclusive) will not terminate on January 11, 2025 and shall remain in effect.
- B. The Association may request to meet and confer over another form of enhanced retirement benefit.

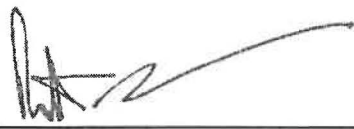
**LETTER OF AGREEMENT  
RETIREMENT BENEFITS ENHANCEMENT**

**FOR LAAPOA:**

Stephen Leonesio  
Stephen Leonesio  
Labor Relations Consultant

03/19/2024  
Date

**FOR THE CITY:**

  
\_\_\_\_\_  
Matthew W. Szabo  
City Administrative Officer

3/20/2024  
Date

**EXHIBIT 3  
ACTUARIAL STATEMENTS**

**Via Email**

June 7, 2024

Joseph Salazar, CEBS  
General Manager  
City of Los Angeles Fire and Police Pension Plan  
701 East 3rd Street, Suite 200  
Los Angeles, CA 90013

**Re: City of Los Angeles Fire and Police Pension Plan (LAFPP)  
Proposal to transfer certain LACERS members to LAFPP for past and future service  
benefit improvement**

Dear Joe:

In the two attached reports both dated August 24, 2023, we provided the cost to transfer five groups of members out of LACERS and into LAFPP based on the then most recent June 30, 2022 valuations. In one report, we provided the increase in the present value of benefits and related increase in unfunded liability associated with upgrading the past LACERS service through June 30, 2022 to LAFPP service, after accounting for certain assets that would be transferred from LACERS to LAFPP. In the other report, we provided the increase in the annual normal cost (relative to that which would otherwise be paid by the City at LACERS) associated with providing each year of future service anticipated to be earned after June 30, 2022 at LAFPP.

Last month we were informed by LAFPP that this proposal would be presented to the City Council for their review and approval before being provided to the voters for their approval. We were asked to opine from an actuarial perspective either for the City to: (a) rely on the results of the earlier study which were based on the valuations as of June 30, 2022, or (b) authorize Segal to collect the necessary membership, financial and other information so the results would be updated to use the most recent valuations as of June 30, 2023.

## **Recommendations and summary of results**

As we understand that timing is of the essence and that even if the results were to be updated using the most recent valuations as of June 30, 2023, they would have to be updated again (probably based on the valuations as of June 30, 2024) when the transfer actually takes place in 2025. Based on these considerations, we recommend that the City consider using the results from the attached reports subject to the modifications and limitations outlined in this letter.

A high-level summary of the anticipated cost to the City associated with this proposal follows:

| <b>Category</b>                                                                                                                                              | <b>Cost determined as of<br/>June 30, 2022</b> | <b>Annual interest if<br/>not paid on or<br/>around<br/>June 30, 2022</b> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|---------------------------------------------------------------------------|
| Five groups of LACERS members to transfer past service through June 30, 2022                                                                                 | \$77.1 million                                 | \$5.4 million                                                             |
| Cost to transfer each year of service after June 30, 2022                                                                                                    | \$6.3 million                                  | \$0.4 million                                                             |
| Other LAPD or Airport Peace Officer members who had previously transferred from LACERS to LAFPP and would now have their transfer costs refunded by the City | \$3.0 million                                  | \$0.2 million                                                             |
| <b>TOTAL</b>                                                                                                                                                 | <b>\$86.4 million</b>                          | <b>\$6.0 million</b>                                                      |

## Final membership groups to be included in the proposal for approval

In our original reports, we included five groups of active LACERS members affiliated with: LAPD, LAWA Police, Municipal Police, Park Rangers and Port Police. We also included inactive vested LACERS members from the above groups and some of those were currently active members of LAFPP while others were not.

We have been informed by the City that all inactive vested LACERS members from the five groups who were not currently active members of LAFPP would be excluded for the transfer. We have therefore restated the results provided in our August 24, 2023 reports to exclude the cost for those LACERS members. These results are provided in Exhibit One for the present value to convert all the past LACERS service to LAFPP service earned through June 30, 2022 and in Exhibit Two for the increase in annual normal cost for each year of future service earned after June 30, 2022.

As it is our understanding that only those members actively employed in 2025 after the voters' approval would be eligible for transfer, the actual group of members who ultimately transfer would probably be a large subset of those included in our original reports.

## Net pension cost and net health cost to the City associated with transferring the past LACERS service to LAFPP service

The net pension cost and the net health cost to transfer the past LACERS service to LAFPP service for the five groups of members calculated using the actuarial assumptions in the June

30, 2022 valuations are provided in Exhibit One. The total cost as of June 30, 2022 was \$77,133,019 if paid in a lump sum or \$6,523,166 annually if paid in installments over a 15-year period used by the Board to amortize unfunded actuarial accrued liabilities (UAAL) as a result of a plan amendment. The following are points of note when considering these results:

- These results have been calculated using the actuarial assumptions applied by LAFPP and LACERS in their valuations as of June 30, 2022. Both LAFPP and LACERS had adopted new actuarial assumptions for use in their valuations effective as of June 30, 2023. Even though the 7.00% investment return assumption used by both LAFPP and LACERS in their 2022 valuations has remained unchanged and the other assumption changes had a relatively modest impact on the liabilities, the City should nonetheless be aware that the final liabilities would be different once they are updated to reflect the new assumptions.
- The above lump sum payment of \$77.1 million was determined assuming it would be paid on or around June 30, 2022. Since that payment was not made, it should be adjusted with interest at 7.00% per year (annual interest would be about \$5.4 million). Furthermore, as LACERS service credit would continue to be accrued for the members after June 30, 2022, there would be further increase in cost to transfer the service after that date. The approximate cost of transferring service after June 30, 2022 could be estimated by using the increase in the normal cost as discussed next.

## Increase in the City's normal cost to provide LAFPP Tier 6 benefit for future service after June 30, 2022

The increase in annual normal cost for each year of future service earned after June 30, 2022 is provided in Exhibit Two. The total increase in annual normal cost as of June 30, 2022 was \$6,321,000 calculated at the beginning of the year. The followings are points of notes when considering these results:

- The increase in the normal cost had been calculated using the assumptions as of June 30, 2022 before reflecting the new assumptions adopted by LAFPP and LACERS for use starting with the June 30, 2023 valuations.
- Since the dollar normal costs were calculated to be proportional to the growth in payroll, they would be expected to increase annually at the rate of 3.25% (using the wage increase assumption applied in the June 30, 2022 valuations) and other projected merit and promotional increases. This increase would be offset to some extent over time as more and more employees from the five groups leave City employment due to retirement, etc.
- As the net pension cost and the net health cost to convert past LACERS service had been calculated assuming the conversion would take place as of June 30, 2022, we recommend that the City add \$6.3 million calculated at the beginning of the year, with interest at about \$0.4 million to the end of the year, for each year of additional past LACERS service that would also be converted to LAFPP service.

## **Other LAPD or Airport Peace Officer members who had previously transferred their service credit from LACERS to LAFPP by paying lump sums or installments**

Besides the five groups of LACERS members already addressed in this letter, under this proposal, the City would also be picking up the cost associated with some LAPD or Airport Peace Officer members who previously agreed to pay the full actuarial cost (either in lump sum or in installments) so that their past LACERS service credit could be counted as LAFPP service credit. Those members are currently LAFPP members and we understand that refunds would be made by LAFPP on behalf of the City to those members who paid in full or in part. The City would either advance or reimburse LAFPP for the costs associated with issuing these refunds.

As we pointed out in our August 24, 2023 report for the cost to transfer the past service, we did not include any cost to LAFPP for this group of current LAFPP members since we have not been tracking that cost in our ongoing annual actuarial valuations.

We have since been provided with the amounts paid in lump sums and/or installments. After consulting with your office, we recommend that the total cost to the City associated with picking up the above cost include not only amounts already paid by the members that would be refunded to them, they should also be adjusted to include future installments that have yet to be made by the members as they would not have been included in any cost studies previously prepared by Segal on behalf of the City.

The original purchase costs determined around 2015 for the LAPD and around 2018 for the Airport Peace Officer members totaled about \$3,048,000 when adjusted with interest to June 30, 2022. Since the \$3.0 million was not paid on that date, it should be adjusted with interest at 7.00% per year (annual interest would be about \$0.2 million).

## **Other considerations**

This document has been prepared for the exclusive use and benefit of LAFPP, based upon information provided by LAFPP or otherwise made available to Segal at the time this document was created. Segal makes no representation or warranty as to the accuracy of any forward-looking statements and does not guarantee any particular outcome or result. Except as may be required by law, this document should not be shared, copied or quoted, in whole or in part, without the consent of Segal. This document does not constitute legal, tax or investment advice or create or imply a fiduciary relationship. You are encouraged to discuss any issues raised with your legal, tax and other advisors before taking, or refraining from taking, any action.

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

Joseph Salazar, CEBS  
June 7, 2024  
Page 5

We look forward to discussing this report with you.

Sincerely,



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



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



Todd Tauzer, FSA, MAAA, FCA, CERA  
Senior Vice President and Actuary

ST/jl  
Enclosures

cc: Gregory Mack

### Cost to Move All Past LACERS Benefit Service to LAFPP Tier 5 or 6 as of June 30, 2022

| (1)<br>Group / Status          | (2)<br>Number of Members | (3)<br>Projected Annual Payroll as of June 30, 2022 | (4)<br>Total Years of LACERS Benefit Service Available for Transfer | Pension (5)<br>Present Value of LACERS Benefit Service at LAFPP <sup>1</sup> | Pension (6a)<br>LACERS Pension Assets: Employer | Pension (6b)<br>LACERS Pension Assets: Employee <sup>2</sup> | Pension (6c)<br>LACERS Pension Assets: Employer and Employee | Pension (7)<br>Net Pension Cost | Health (8)<br>Present Value of LACERS Benefit Service at LAFPP <sup>1</sup> | Health (9)<br>LACERS Health Assets | Health (10)<br>Net Health Cost | Total (11)<br>Total Net Cost | Amortized Payment (12)<br>15-Year Amortized Payment of Total Cost at LAFPP <sup>3</sup> |
|--------------------------------|--------------------------|-----------------------------------------------------|---------------------------------------------------------------------|------------------------------------------------------------------------------|-------------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------------|---------------------------------|-----------------------------------------------------------------------------|------------------------------------|--------------------------------|------------------------------|-----------------------------------------------------------------------------------------|
| <b>LAPD</b>                    |                          |                                                     |                                                                     |                                                                              |                                                 |                                                              |                                                              |                                 |                                                                             |                                    |                                |                              |                                                                                         |
| Active - not LAFPP active      | 22                       | \$2,850,650                                         | 461.78                                                              | \$16,480,733                                                                 | \$7,868,993                                     | \$4,145,470                                                  | \$12,014,463                                                 | \$4,466,270                     | \$3,445,231                                                                 | \$2,556,438                        | \$888,793                      | \$5,355,063                  | \$452,880                                                                               |
| <b>LAWA Police</b>             |                          |                                                     |                                                                     |                                                                              |                                                 |                                                              |                                                              |                                 |                                                                             |                                    |                                |                              |                                                                                         |
| Active - not LAFPP active      | 370                      | \$46,881,509                                        | 6,683.45                                                            | \$239,653,601                                                                | \$127,268,524                                   | \$62,967,349                                                 | \$190,235,873                                                | \$49,417,728                    | \$47,158,037                                                                | \$38,731,703                       | \$8,426,334                    | \$57,844,062                 | \$4,891,892                                                                             |
| <b>Municipal Police</b>        |                          |                                                     |                                                                     |                                                                              |                                                 |                                                              |                                                              |                                 |                                                                             |                                    |                                |                              |                                                                                         |
| Active - not LAFPP active      | 17                       | \$2,044,492                                         | 378.60                                                              | \$12,712,924                                                                 | \$6,127,888                                     | \$3,326,244                                                  | \$9,454,132                                                  | \$3,258,792                     | \$2,935,910                                                                 | \$2,196,615                        | \$739,295                      | \$3,998,087                  | \$338,120                                                                               |
| Inactive Vested - LAFPP active | 9                        |                                                     | 58.98                                                               | 2,521,504                                                                    | 118,659                                         | 361,317                                                      | 479,976                                                      | 2,041,528                       | 252,758                                                                     | 59,927                             | 192,831                        | 2,234,359                    | 188,961                                                                                 |
| <b>Subtotal</b>                | <b>26</b>                |                                                     | <b>437.58</b>                                                       | <b>\$15,234,428</b>                                                          | <b>\$6,246,547</b>                              | <b>\$3,687,561</b>                                           | <b>\$9,934,108</b>                                           | <b>\$5,300,320</b>              | <b>\$3,188,668</b>                                                          | <b>\$2,256,542</b>                 | <b>\$932,126</b>               | <b>\$6,232,446</b>           | <b>\$527,081</b>                                                                        |
| <b>Park Rangers</b>            |                          |                                                     |                                                                     |                                                                              |                                                 |                                                              |                                                              |                                 |                                                                             |                                    |                                |                              |                                                                                         |
| Active - not LAFPP active      | 31                       | \$2,811,834                                         | 348.22                                                              | \$9,697,412                                                                  | \$4,273,067                                     | \$2,422,724                                                  | \$6,695,791                                                  | \$3,001,621                     | \$2,238,799                                                                 | \$1,829,460                        | \$409,339                      | \$3,410,960                  | \$288,466                                                                               |
| <b>Port Police</b>             |                          |                                                     |                                                                     |                                                                              |                                                 |                                                              |                                                              |                                 |                                                                             |                                    |                                |                              |                                                                                         |
| Active - not LAFPP active      | 7                        | \$1,014,152                                         | 174.96                                                              | \$6,572,201                                                                  | \$3,555,394                                     | \$1,549,309                                                  | \$5,104,703                                                  | \$1,467,498                     | \$1,203,389                                                                 | \$869,828                          | \$333,561                      | \$1,801,059                  | \$152,316                                                                               |
| Active - LAFPP active          | 1                        | 66,513                                              | 1.27                                                                | 73,886                                                                       | 1,354                                           | 6,463                                                        | 7,817                                                        | 66,069                          | 4,274                                                                       | 4,274                              | 0                              | 66,069                       | 5,587                                                                                   |
| Inactive Vested - LAFPP active | 12                       |                                                     | 42.73                                                               | 2,641,677                                                                    | 130,231                                         | 285,689                                                      | 415,920                                                      | 2,225,757                       | 197,603                                                                     | 0                                  | 197,603                        | 2,423,360                    | 204,944                                                                                 |
| <b>Subtotal</b>                | <b>20</b>                |                                                     | <b>218.96</b>                                                       | <b>\$9,287,764</b>                                                           | <b>\$3,686,979</b>                              | <b>\$1,841,461</b>                                           | <b>\$5,528,440</b>                                           | <b>\$3,759,324</b>              | <b>\$1,405,266</b>                                                          | <b>\$874,102</b>                   | <b>\$531,164</b>               | <b>\$4,290,488</b>           | <b>\$362,847</b>                                                                        |
| <b>All Groups Combined</b>     |                          |                                                     |                                                                     |                                                                              |                                                 |                                                              |                                                              |                                 |                                                                             |                                    |                                |                              |                                                                                         |
| Active - not LAFPP active      | 447                      | \$55,602,637                                        | 8047.01                                                             | \$285,116,871                                                                | \$149,093,866                                   | \$74,411,096                                                 | \$223,504,962                                                | \$61,611,909                    | \$56,981,366                                                                | \$46,184,044                       | \$10,797,322                   | \$72,409,231                 | \$6,123,674                                                                             |
| Active - LAFPP active          | 1                        | 66,513                                              | 1.27                                                                | 73,886                                                                       | 1,354                                           | 6,463                                                        | 7,817                                                        | 66,069                          | 4,274                                                                       | 4,274                              | 0                              | 66,069                       | 5,587                                                                                   |
| Inactive Vested - LAFPP active | 21                       |                                                     | 101.71                                                              | 5,163,181                                                                    | 248,890                                         | 647,006                                                      | 895,896                                                      | 4,267,285                       | 450,361                                                                     | 59,927                             | 390,434                        | 4,657,719                    | 393,905                                                                                 |
| <b>Total</b>                   | <b>469</b>               | <b>\$55,669,150</b>                                 | <b>8,149.99</b>                                                     | <b>\$290,353,938</b>                                                         | <b>\$149,344,110</b>                            | <b>\$75,064,565</b>                                          | <b>\$224,408,675</b>                                         | <b>\$65,945,263</b>             | <b>\$57,436,001</b>                                                         | <b>\$46,248,245</b>                | <b>\$11,187,756</b>            | <b>\$77,133,019</b>          | <b>\$6,523,166</b>                                                                      |

<sup>1</sup> For each individual member, the present value of the LACERS benefit service at LAFPP has been calculated to be an amount not less than the amount of the LACERS asset for that member, separately for Pension and Health.

<sup>2</sup> Total of member contribution balances as of June 30, 2022.

<sup>3</sup> Beginning of year. The amortized payment is calculated using the 7.00% investment return assumption along with the 3.25% payroll growth assumption used in the June 30, 2022 LAFPP actuarial valuation. If the payment is funded over an open group payroll, the contribution rate will be level as a percentage of payroll. If the City pays the total net cost at the time of the transfer, there would be no impact on LAFPP's funded ratio or unfunded actuarial accrued liability (UAAL). For the Pension Plan, should the City choose to amortize the initial net Pension cost of \$65.9 million over 15 years, LAFPP's funded ratio (on a valuation value of assets basis) would initially decrease from 98.0% to 97.7% at the time of the assumed transfer date of June 30, 2022 and the UAAL would initially increase by the \$65.9 million. The funded ratio would increase over time (and the UAAL would decrease over time) as the City makes the amortized payments over 15 years. For the OPEB plan, choosing to amortize the initial \$11.2 million net Health cost would have very little impact on the funded ratio (74.3%).

## Increase in City's Beginning of Year Normal Cost to Provide LAFPP Tier 6 Benefit for Future Service After June 30, 2022

| Group / LACERS Tier      | Retirement Plan | Health Plan  | Both Plans Combined | Annual Amount <sup>1</sup> |
|--------------------------|-----------------|--------------|---------------------|----------------------------|
| LAPD                     |                 |              |                     | \$377,000                  |
| Tier 1                   | 9.87%           | 3.35%        | 13.22%              |                            |
| Tier 3                   | N/A             | N/A          | N/A                 |                            |
| LAWA Police <sup>2</sup> |                 |              |                     | \$5,084,000                |
| Tier 1                   | 7.67%           | 3.17%        | 10.84%              |                            |
| Tier 3                   | N/A             | N/A          | N/A                 |                            |
| Municipal Police         |                 |              |                     | \$287,000                  |
| Tier 1                   | 10.39%          | 3.66%        | 14.05%              |                            |
| Tier 3                   | N/A             | N/A          | N/A                 |                            |
| Park Rangers             |                 |              |                     | \$433,000                  |
| Tier 1                   | 10.33%          | 4.45%        | 14.78%              |                            |
| Tier 3                   | 12.17%          | 4.68%        | 16.85%              |                            |
| Port Police              |                 |              |                     | \$140,000                  |
| Tier 1                   | 9.56%           | 3.19%        | 12.75%              |                            |
| Tier 3                   | 13.68%          | 2.17%        | 15.85%              |                            |
| All Groups Combined      |                 |              |                     | \$6,321,000                |
| <b>Tier 1</b>            | <b>8.02%</b>    | <b>3.24%</b> | <b>11.26%</b>       |                            |
| <b>Tier 3</b>            | <b>12.28%</b>   | <b>4.49%</b> | <b>16.78%</b>       |                            |

<sup>1</sup> Based on the following projected annual LACERS payroll as of June 30, 2022 for the eligible members included in this study (active counts, average ages and average benefit service are also shown):

### Projected Annual LACERS Payroll as of June 30, 2022

| Group                      | Tier 1              | Tier 3           | Combined            | Active Count | Average Age | Average Benefit Service |
|----------------------------|---------------------|------------------|---------------------|--------------|-------------|-------------------------|
| LAPD                       | \$2,850,650         | \$0              | \$2,850,650         | 22           | 49.7        | 21.0                    |
| LAWA Police                | 46,881,509          | 0                | 46,881,509          | 370*         | 46.8        | 18.1                    |
| Municipal Police           | 2,044,492           | 0                | 2,044,492           | 17           | 50.9        | 22.3                    |
| Park Rangers               | 1,962,902           | 848,932          | 2,811,834           | 31           | 41.7        | 11.2                    |
| Port Police                | 1,014,152           | 67,668           | 1,081,820           | 8            | 51.7        | 22.0                    |
| <b>All Groups Combined</b> | <b>\$54,753,705</b> | <b>\$916,600</b> | <b>\$55,670,305</b> | <b>448</b>   | <b>46.8</b> | <b>18.0</b>             |

\* 358 of these 370 active members are in LACERS Tier 1 Enhanced as of June 30, 2022 (the remaining 12 are in LACERS Tier 1).

<sup>2</sup> LACERS' Tier 1 and Tier 1 Enhanced share the employer normal cost rates, although LAWА pays an additional normal cost rate (currently 0.07% of pay) based on all City Tier 1 payroll, for the cost of the enhancement for the Tier 1 Enhanced members within Tier 1 for the Retirement Plan.



Paul Angelo, FSA, MAAA, FCA, EA  
Senior Vice President & Actuary  
Andy Yeung, ASA, MAAA, FCA, EA  
Vice President & Actuary  
Mehdi Riazzi, FSA, MAAA, FCA, EA  
Vice President & Actuary  
Todd Tauzer, FSA, MAAA, FCA, CERA  
Senior Vice President & Actuary

180 Howard Street, Suite 1100  
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## Via E-mail

August 24, 2023

Mr. Joseph Salazar  
General Manager  
City of Los Angeles  
Fire and Police Pension Plan  
701 East 3<sup>rd</sup> Street, Suite 200  
Los Angeles, CA 90013

### **Re: LAFPP – Increases in Normal Cost Rates for Sworn Peace Officers and Park Rangers to Enter Tier 6**

Dear Joe:

In conjunction with our study on the cost to upgrade past service related to the possible transfer of Sworn Peace Officers and Park Rangers out of LACERS and into LAFPP Tier 6 (see our letter dated August 24, 2023), we have calculated herein the increases in the normal cost rates paid by the City associated with future service if existing Sworn Peace Officers and Park Rangers who are currently enrolled in the LACERS' plans are permitted to enter LAFPP Tier 6. (See special note below.) In the rest of this letter, the above members included in our study are referred to as eligible members. In our letter dated August 24, 2023 which details the results of the study to upgrade past service related to these members, we have included a description of how these members were identified and provided additional details regarding their current LACERS group and tier.

## Special Note

As part of the data provided by LACERS on July 28, 2023, 22 members of LACERS are active members of LAFPP as of June 30, 2022. Since the 22 members are already reflected as active members in LAFPP's June 30, 2022 valuations (enrolled as either Tiers 5 or 6) with a normal cost rate calculated in those valuations, we have not included them again in this letter.

The results provided in this letter reflect a June 30, 2022 valuation date.

## Summary of Results

The increases in the normal cost rates for the City, expressed as a percent of payroll, to allow existing eligible members to enter LAFPP Tier 6 are shown on the following page. These increases are the difference between the LACERS normal cost rate and the LAFPP normal cost rate, both determined just for the eligible members. The increases are shown separately for each of the five groups of eligible members included in our August 24, 2023 transfer study letter

noted above (and for all five groups combined), and by the Tier in which these members are currently covered under LACERS.<sup>1</sup>

**Increases in the City's Normal Cost Rates<sup>2</sup>  
 & Annual Contribution Amounts**

| Group / LACERS Tier        | Retirement Plan | Health Plan  | Both Plans Combined | Annual Amount <sup>3</sup> |
|----------------------------|-----------------|--------------|---------------------|----------------------------|
| LAPD                       |                 |              |                     | \$377,000                  |
| Tier 1                     | 9.87%           | 3.35%        | 13.22%              |                            |
| Tier 3                     | N/A             | N/A          | N/A                 |                            |
| LAWA Police <sup>4</sup>   |                 |              |                     | \$5,084,000                |
| Tier 1                     | 7.67%           | 3.17%        | 10.84%              |                            |
| Tier 3                     | N/A             | N/A          | N/A                 |                            |
| Municipal Police           |                 |              |                     | \$287,000                  |
| Tier 1                     | 10.39%          | 3.66%        | 14.05%              |                            |
| Tier 3                     | N/A             | N/A          | N/A                 |                            |
| Park Rangers               |                 |              |                     | \$433,000                  |
| Tier 1                     | 10.33%          | 4.45%        | 14.78%              |                            |
| Tier 3                     | 12.17%          | 4.68%        | 16.85%              |                            |
| Port Police                |                 |              |                     | <u>\$140,000</u>           |
| Tier 1                     | 9.56%           | 3.19%        | 12.75%              |                            |
| Tier 3                     | 13.68%          | 2.17%        | 15.85%              |                            |
| <b>All Groups Combined</b> |                 |              |                     | <b>\$6,321,000</b>         |
| <b>Tier 1</b>              | <b>8.02%</b>    | <b>3.28%</b> | <b>11.30%</b>       |                            |
| <b>Tier 3</b>              | <b>11.96%</b>   | <b>2.71%</b> | <b>14.67%</b>       |                            |

Although the normal cost rates paid by the City would increase due to the transfer of eligible members from LACERS into LAFPP Tier 6, there would be no adverse impact on the LAFPP plan funded ratios. The reason for this is that the City would be obligated to make these normal

- <sup>1</sup> We have also included the increase in the annual normal cost contribution amounts, separately for each of the five groups (and for all five groups combined), but for Tiers 1 and 3 combined.
- <sup>2</sup> These increases represent the changes in the City's normal cost rates payable during fiscal year 2023/2024 as a result of the eligible members being transferred from members in LACERS to members of LAFPP Tier 6. All City contribution rates provided in this letter are assumed to be payable at the beginning of the year.
- <sup>3</sup> Based on the following projected annual LACERS payroll as of June 30, 2022 for the eligible members included in this study (active counts, average ages and average benefit service are also shown):

**Projected Annual LACERS Payroll as of June 30, 2022**

| Group                      | Tier 1              | Tier 3           | Combined            | Active Count | Average Age | Average Benefit Service |
|----------------------------|---------------------|------------------|---------------------|--------------|-------------|-------------------------|
| LAPD                       | \$2,850,650         | \$0              | \$2,850,650         | 22           | 49.7        | 21.0                    |
| LAWA Police                | 46,881,509          | 0                | 46,881,509          | 370*         | 46.8        | 18.1                    |
| Municipal Police           | 2,044,492           | 0                | 2,044,492           | 17           | 50.9        | 22.3                    |
| Park Rangers               | 1,962,902           | 848,932          | 2,811,834           | 31           | 41.7        | 11.2                    |
| Port Police                | <u>1,014,152</u>    | <u>67,668</u>    | <u>1,081,820</u>    | <u>8</u>     | 51.7        | 22.0                    |
| <b>All Groups Combined</b> | <b>\$54,753,705</b> | <b>\$916,600</b> | <b>\$55,670,305</b> | <b>448</b>   | <b>46.8</b> | <b>18.0</b>             |

\* 358 of these 370 active members are in LACERS Tier 1 Enhanced as of June 30, 2022 (the remaining 12 are in LACERS Tier 1).

- <sup>4</sup> LACERS' Tier 1 and Tier 1 Enhanced share the employer normal cost rates, although LAWA pays an additional normal cost rate (currently 0.07% of pay) based on all City Tier 1 payroll, for the cost of the enhancement for the Tier 1 Enhanced members within Tier 1 for the Retirement Plan.

cost contributions (in addition to employees paying their ongoing employee normal cost rate), along with paying the entire cost of converting any past LACERS service to LAFPP Tier 6 service.

It should be noted that the normal cost increases provided in the table above are with respect to the funding required by the City. We have assumed that the eligible members would continue to pay an employee normal cost rate of 11% of pay per pay period (which is unchanged from the rate they are currently paying into LACERS).<sup>5</sup>

## Background

We have been directed by the Board of Fire and Police Pension Commissioners to conduct an actuarial study regarding the transfer of all Sworn Peace Officers and Park Rangers who are currently members of LACERS to LAFPP Tier 6, at the request of the City Administrative Officer (CAO). We understand the full cost of the transfers would be made by the City and there would be no direct cost to the employee to transfer to LAFPP Tier 6 and upgrade their past service from LACERS. We also understand that no definitive transfer date has been set. Accordingly, we have assumed a membership transfer date of June 30, 2022, which is the last valuation date that we have complete system-wide membership and financial data for both LACERS and LAFPP.

Besides the eligible members included in this study, we understand based on an earlier inquiry that LAFPP would be able to provide directly to the City the amount that would be required to be reimbursed by the General or Special Fund to those LAPD or Airport Peace Officer members who previously paid the full actuarial cost so that their past LACERS service credit could be counted as LAFPP service credit. As a result, we have not included the cost of that reimbursement in this study.

There would be increases in the City's ongoing normal cost rates associated with enrolling the eligible members in LAFPP instead of LACERS, and those increases in normal cost rates are provided in this letter. However, the cost for the conversion of past LACERS service into LAFPP service is beyond the scope of this letter and instead is presented in our aforementioned August 24, 2023 letter.

## Methodology

The increases in the City's normal cost rates have been calculated in the following steps:

### Step One: Normal Cost Rates under LACERS

Employees of the City become members of LACERS on the first day of employment in a position with the City in which the employee is not excluded from membership. Members employed prior to July 1, 2013 are designated as Tier 1. All Tier 2 employees who became members between July 1, 2013 and February 21, 2016 were transferred to Tier 1 effective

<sup>5</sup> We have assumed that the employee contribution rate is 11% until June 30, 2026. Thereafter, if the member has less than 25 years of service, the contribution rate will remain at 11% and if the member has 25 or more years of service, the contribution rate will reduce to 10%.

February 21, 2016. All Tier 1 Airport Peace Officers (APO, employed by LAWA, including certain fire fighters) appointed to their positions before January 7, 2018 who elected to remain at LACERS after January 6, 2018, and who paid their mandatory additional contribution of \$5,700 to LACERS before January 8, 2019, or prior to their retirement date, whichever was earlier, are designated as Tier 1 Enhanced. Those employed on or after February 21, 2016 are designated as Tier 3 (unless a specific exception applies to the employee, providing a right to Tier 1 status).

The LACERS normal cost rates for the City, expressed as a percent of payroll, for the eligible members enrolled in LACERS, determined using their demographics and the actuarial assumptions used in LACERS' June 30, 2022 valuations, are as follows:

| <b>The City's Normal Cost Rates<br/>for Eligible Members Enrolled in LACERS</b> |                        |                    |                            |
|---------------------------------------------------------------------------------|------------------------|--------------------|----------------------------|
| <b>Group / Tier</b>                                                             | <b>Retirement Plan</b> | <b>Health Plan</b> | <b>Both Plans Combined</b> |
| <b>LAPD</b>                                                                     |                        |                    |                            |
| Tier 1                                                                          | 6.86%                  | 2.51%              | 9.37%                      |
| Tier 3                                                                          | N/A                    | N/A                | N/A                        |
| <b>LAWA Police</b>                                                              |                        |                    |                            |
| Tier 1                                                                          | 9.35%                  | 2.81%              | 12.16%                     |
| Tier 3                                                                          | N/A                    | N/A                | N/A                        |
| <b>Municipal Police</b>                                                         |                        |                    |                            |
| Tier 1                                                                          | 6.68%                  | 2.76%              | 9.44%                      |
| Tier 3                                                                          | N/A                    | N/A                | N/A                        |
| <b>Park Rangers</b>                                                             |                        |                    |                            |
| Tier 1                                                                          | 7.05%                  | 3.62%              | 10.67%                     |
| Tier 3                                                                          | 5.21%                  | 3.39%              | 8.60%                      |
| <b>Port Police</b>                                                              |                        |                    |                            |
| Tier 1                                                                          | 7.43%                  | 2.29%              | 9.72%                      |
| Tier 3                                                                          | 3.31% <sup>6</sup>     | 3.31%              | 6.62%                      |
| <b>All Groups Combined</b>                                                      |                        |                    |                            |
| <b>Tier 1</b>                                                                   | <b>9.01%</b>           | <b>2.81%</b>       | <b>11.81%</b>              |
| <b>Tier 3</b>                                                                   | <b>5.07%</b>           | <b>3.38%</b>       | <b>8.45%</b>               |

In determining the normal cost rates above, we recalculated the City's normal cost rates for the eligible members under the LACERS Tier 1, Tier 1 Enhanced and Tier 3 plan provisions for which they are covered and using the respective actuarial assumptions for those tiers. Even though 11.90% (after APO)<sup>7</sup> and 9.30% are the City's combined (i.e., Retirement and Health Plans) normal cost rates calculated for all Tier 1 and Tier 3 members, respectively, we believe it would be more appropriate when determining the increase in the cost to provide benefits under LAFPP to start with the 11.81% (Tier 1, after APO) and 8.45% (Tier 3) normal cost rates shown in the table above, which were calculated based on only the eligible members included in the study.

<sup>6</sup> There is just one Port Police member in Tier 3 included in this study.

<sup>7</sup> That is, after reflecting the increase in the contribution rate due to enhanced benefits for APO.

## Step Two: Normal Cost Rates under LAFPP

In this step, we calculate the normal cost rates associated with enrolling the eligible members as described in Step One in LAFPP Tier 6, determined using the actuarial assumptions used in LAFPP's June 30, 2022 valuations to be as follows:

| Group / Tier               | The City's Normal Cost Rates<br>if LACERS Eligible Members Join LAFPP Tier 6 <sup>8</sup> |              |                     |
|----------------------------|-------------------------------------------------------------------------------------------|--------------|---------------------|
|                            | Retirement Plan                                                                           | Health Plan  | Both Plans Combined |
| LAPD                       | 16.73%                                                                                    | 5.86%        | 22.59%              |
| LAWA Police                | 17.02%                                                                                    | 5.98%        | 23.00%              |
| Municipal Police           | 17.07%                                                                                    | 6.42%        | 23.49%              |
| Park Rangers               | 17.38%                                                                                    | 8.07%        | 25.45%              |
| Port Police                | 16.99%                                                                                    | 5.48%        | 22.47%              |
| <b>All Groups Combined</b> | <b>17.03%</b>                                                                             | <b>6.09%</b> | <b>23.12%</b>       |

## Step Three: Increase in Normal Cost Rates

The increases in the normal cost rates for the City for the existing eligible members to transfer from LACERS to LAFPP can be calculated by taking the difference between the normal cost rates for LAFPP calculated in Step Two and the normal cost rates for LACERS calculated in Step One. These increases, expressed as a percent of payroll, are as follows:

<sup>8</sup> We were informed by LAFPP that all of the members included herein would be classified as Police members for annual actuarial valuations purposes. Therefore, we have developed the costs for this study by using the actuarial assumptions for rates of termination, service and disability retirements that we have been assuming for Police members currently enrolled in Tier 6.

**Increases in the City's Normal Cost Rates<sup>9</sup>  
 & Annual Contribution Amounts**

| <b>Group / Tier</b>             | <b>Retirement Plan</b> | <b>Health Plan</b> | <b>Both Plans Combined</b> | <b>Annual Amount<sup>10</sup></b> |
|---------------------------------|------------------------|--------------------|----------------------------|-----------------------------------|
| <b>LAPD</b>                     |                        |                    |                            | <b>\$377,000</b>                  |
| Tier 1                          | 9.87%                  | 3.35%              | 13.22%                     |                                   |
| Tier 3                          | N/A                    | N/A                | N/A                        |                                   |
| <b>LAWA Police<sup>11</sup></b> |                        |                    |                            | <b>\$5,084,000</b>                |
| Tier 1                          | 7.67%                  | 3.17%              | 10.84%                     |                                   |
| Tier 3                          | N/A                    | N/A                | N/A                        |                                   |
| <b>Municipal Police</b>         |                        |                    |                            | <b>\$287,000</b>                  |
| Tier 1                          | 10.39%                 | 3.66%              | 14.05%                     |                                   |
| Tier 3                          | N/A                    | N/A                | N/A                        |                                   |
| <b>Park Rangers</b>             |                        |                    |                            | <b>\$433,000</b>                  |
| Tier 1                          | 10.33%                 | 4.45%              | 14.78%                     |                                   |
| Tier 3                          | 12.17%                 | 4.68%              | 16.85%                     |                                   |
| <b>Port Police</b>              |                        |                    |                            | <b><u>\$140,000</u></b>           |
| Tier 1                          | 9.56%                  | 3.19%              | 12.75%                     |                                   |
| Tier 3                          | 13.68%                 | 2.17%              | 15.85%                     |                                   |
| <b>All Groups Combined</b>      |                        |                    |                            | <b>\$6,321,000</b>                |
| <b>Tier 1<sup>12</sup></b>      | <b>8.02%</b>           | <b>3.28%</b>       | <b>11.30%</b>              |                                   |
| <b>Tier 3<sup>12</sup></b>      | <b>11.96%</b>          | <b>2.71%</b>       | <b>14.67%</b>              |                                   |

<sup>9</sup> These increases represent the changes in the City's normal cost rates payable during fiscal year 2023/2024 as a result of the eligible members being transferred from members in LACERS to members of LAFPP Tier 6. All City contribution rates provided in this letter are assumed to be payable at the beginning of the year.

<sup>10</sup> Based on the following projected annual LACERS payroll as of June 30, 2022 for the eligible members included in this study (active counts, average ages and average benefit service are also shown):

**Projected Annual LACERS Payroll as of June 30, 2022**

| <b>Group</b>               | <b>Tier 1</b>       | <b>Tier 3</b>    | <b>Combined</b>     | <b>Active Count</b> | <b>Average Age</b> | <b>Average Benefit Service</b> |
|----------------------------|---------------------|------------------|---------------------|---------------------|--------------------|--------------------------------|
| <b>LAPD</b>                | \$2,850,650         | \$0              | \$2,850,650         | 22                  | 49.7               | 21.0                           |
| <b>LAWA Police</b>         | 46,881,509          | 0                | 46,881,509          | 370*                | 46.8               | 18.1                           |
| <b>Municipal Police</b>    | 2,044,492           | 0                | 2,044,492           | 17                  | 50.9               | 22.3                           |
| <b>Park Rangers</b>        | 1,962,902           | 848,932          | 2,811,834           | 31                  | 41.7               | 11.2                           |
| <b>Port Police</b>         | <u>1,014,152</u>    | <u>67,668</u>    | <u>1,081,820</u>    | <u>8</u>            | 51.7               | 22.0                           |
| <b>All Groups Combined</b> | <b>\$54,753,705</b> | <b>\$916,600</b> | <b>\$55,670,305</b> | <b>448</b>          | <b>46.8</b>        | <b>18.0</b>                    |

\* 358 of these 370 active members are in LACERS Tier 1 Enhanced as of June 30, 2022 (the remaining 12 are in LACERS Tier 1).

<sup>11</sup> LACERS' Tier 1 and Tier 1 Enhanced share the employer normal cost rates, although LAWA pays an additional normal cost rate (currently 0.07% of pay) based on all City Tier 1 payroll, for the cost of the enhancement for the Tier 1 Enhanced members within Tier 1 for the Retirement Plan.

<sup>12</sup> These rates are the difference between the All Groups Combined Normal Cost rates under LACERS for each tier in Step One and the All Groups Combined Normal Cost rates under LAFPP in Step Two, for the eligible members.

## Note on Effect on Funded Ratios, Normal Costs and Placement of These Eligible Members in Future Valuations

Although the City's normal cost rates would increase due to the transfer of eligible members from LACERS to LAFPP Tier 6, there would be no adverse impact on the LAFPP plan funded ratios. The reason for this is that the City would be obligated to make these normal cost contributions (in addition to employees paying their ongoing employee normal cost rate), along with paying the entire cost of converting any past LACERS service to LAFPP Tier 6 service.<sup>13</sup>

It should be noted that the normal cost increases provided in the table above are with respect to the funding required by the City. We have assumed that the eligible members would continue to pay an employee normal cost rate of 11% of pay per pay period (which is unchanged from the rate they are currently paying into LACERS).<sup>14</sup>

Should the City adopt LAFPP Tier 6 membership for any of the eligible member groups included in this study, we would need to consult with LAFPP as to where some of the eligible members should be placed in the ongoing valuations. This is based on our understanding that some of the five departments included in this study might be closed to new hires, or the new hires from those departments are already enrolled in LAFPP together with members of other departments.

## Note on Assumed Medical Plan Selection

We understand that eligible members who join LAFPP Tier 6 will, upon reaching eligibility to retire, have a choice of LAFPP retiree medical plans and will be subject to the LAFPP maximum medical subsidy limit. Due to limited, readily available data on Sworn Peace Officer and Park Ranger enrollment in LACERS medical plans<sup>15</sup>, we will need to make new assumptions (potentially different from those in the LACERS or LAFPP valuations) for medical plan election among eligible members at retirement. As experience emerges over time, we can refine our medical plan election assumptions for this group.

<sup>13</sup> As detailed in our June 5, 2023 letter related to the cost to upgrade past service for possible transfer of Sworn Peace Officers and Parker Rangers from LACERS to LAFPP Tier 6, if the City pays the total net cost related to the transfer at the time of the transfer, there would be no impact on LAFPP's funded ratio or unfunded actuarial accrued liability (UAAL). For the Pension Plan, should the City choose to amortize the initial net Pension cost of \$64.4 million over 15 years, LAFPP's funded ratio (on a valuation value of assets basis) would initially decrease from 98.0% to 97.7% at the time of the assumed transfer date of June 30, 2022 and the UAAL would initially increase by the \$64.4 million. The funded ratio would increase over time (and the UAAL would decrease over time) as the City makes the amortized payments over 15 years. For the OPEB plan, choosing to amortize the initial \$11.8 million net Health cost would have very little impact on the funded ratio. Despite having additional UAAL of \$11.8 million, the funded ratio would slightly increase (from 74.3% to 74.4%) because the asset transfer from LACERS was based on a higher funded ratio than the LAFPP OPEB plan.

<sup>14</sup> We have assumed that the employee contribution rate is 11% until June 30, 2026. Thereafter, if the member has less than 25 years of service, the contribution rate will remain at 11% and if the member has 25 or more years of service, the contribution rate will reduce to 10%.

<sup>15</sup> As part of the LACERS valuation, we do not analyze retiree health elections by department as the Bargaining Unit information is not provided for current retirees.

For this study, we have assumed that eligible members will select similar plans roughly in proportion as assumed for future LAFPP Police retirees, shown on pages 54 and 55 in our June 30, 2022 OPEB valuation report. For pre-65 retirees, we have assumed that 65% will enroll in the Anthem Blue Cross PPO, 25% will enroll in the Kaiser Permanente HMO and 10% will enroll in the Anthem Blue Cross HMO plan. For retirees over age 65, we have assumed that 75% will enroll in the Anthem Blue Cross PPO, 15% will enroll in the Kaiser Permanente Senior Advantage HMO and 10% will enroll in the Anthem Blue Cross HMO plan.

## Note on Experience Studies Recommending Assumptions for June 30, 2023 Valuations

During the performance of this study, both Systems were undergoing experience studies that were to propose new actuarial assumptions for the June 30, 2023 valuations. (These experience studies have since been completed.) As we are only providing results determined as of June 30, 2022, we have not reflected the impact of the new assumptions in this study.

## Statement of Actuarial Opinion

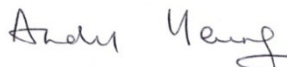
The undersigned are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Please let us know if you have any questions.

Sincerely,



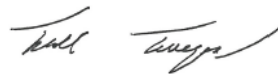
Paul Angelo, FSA, MAAA, FCA, EA  
Senior Vice President and Actuary



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



Mehdi Riazi, FSA, MAAA, FCA, EA  
Vice President and Actuary



Todd Tauzer, FSA, MAAA, FCA, CERA  
Senior Vice President and Actuary

DNA/hy

cc: Edwin Avanesian  
Todd Bouey  
Anya Freedman  
Gregory Mack



Paul Angelo, FSA, MAAA, FCA, EA  
Senior Vice President & Actuary  
Andy Yeung, ASA, MAAA, FCA, EA  
Vice President & Actuary  
Mehdi Riazzi, FSA, MAAA, FCA, EA  
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Todd Tauzer, FSA, MAAA, FCA, CERA  
Senior Vice President & Actuary

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## Via E-mail

August 24, 2023

Mr. Joseph Salazar  
General Manager  
City of Los Angeles  
Fire and Police Pension Plan  
701 East 3<sup>rd</sup> Street, Suite 200  
Los Angeles, CA 90013

Mr. Neil Guglielmo  
General Manager  
Los Angeles City Employees'  
Retirement System  
P.O. Box 512218  
Los Angeles, CA 90051-0218

**Re: City of Los Angeles Fire and Police Pension Plan (LAFPP) and  
Los Angeles City Employees' Retirement System (LACERS)  
Methods and Assumptions Used in Determining Asset Transfer Amounts and  
Costs to Move Five Groups of Members out of LACERS and into LAFPP Tiers 5 or 6  
(Based on Data Provided on January 27, 2023 and July 28, 2023)**

Dear Joe and Neil:

At the request of the City Administrative Officer (CAO), Segal has been directed by the Board of Fire and Police Pension Commissioners to conduct an actuarial study regarding the transfer of all Sworn Peace Officers and Park Rangers who are currently members of LACERS to LAFPP Tiers 5 or 6.<sup>1</sup> We understand the Sworn Peace Officers and Park Rangers to be included in the study belong to the following five groups: LAPD,<sup>2</sup> LAWA Police, Municipal Police, Park Rangers, and Port Police. (In the rest of this letter, the above members included in our study are referred to as eligible members.) The purpose of the study is to determine the cost associated with moving all the remaining eligible members in those groups out of LACERS and into LAFPP Tiers 5 or 6, including the associated amount of assets to be transferred from LACERS to LAFPP.

We are writing to both LACERS and LAFPP to provide the methods and assumptions that we used for purposes of determining the amount of assets available to be transferred from LACERS to LAFPP. We have also included the methods and assumptions that we used for purposes of determining the cost of the service to be converted to the LAFPP Tiers 5 or 6 formulas.

Besides the eligible members included in this study, we understand based on an earlier inquiry that LAFPP would be able to provide directly to the City the amount that would be required to be reimbursed by the General or Special Fund to those LAPD or Airport Peace Officer members who previously paid the full actuarial cost so that their past LACERS service credit could be

<sup>1</sup> The specific LAFPP Tier in which the members included in the study would be placed is discussed later in this letter.

<sup>2</sup> Former general services employees who became LAPD sworn employees, but who remained in LACERS.

counted as LAFPP service credit. As a result, we have not included the cost of that reimbursement in this study.

Separately, the increase in normal cost rates to upgrade future service has been provided in our letter dated August 24, 2023.

## Background

Pursuant to a report to the Board of Fire and Police Pension Commissioners from Ray Ciranna dated September 15, 2022, "Upon their graduation from an approved training academy, all new Harbor (hired on/after January 8, 2006) and Airport (hired on/after January 7, 2018) police officers became members of LAFPP. Previously, these employees were members of the Los Angeles City Employees' Retirement System (LACERS) upon hiring. In 2006-07, existing Harbor/Port Police officers were given the option to transfer from LACERS to LAFPP Tier 5 during a one-year election period.<sup>3</sup> Any Harbor/Port Police who did not file an election during this one-year period remained LACERS members.

The General Services Department's Office of Public Safety ("OPS") was consolidated into the LAPD in July 2012. At that time, OPS officers were members of LACERS. These officers were able to transfer to regular LAPD police officer classifications following an abbreviated academy training period and, pursuant to Administrative Code Section 4.1002(c), were allowed to opt out of membership in LACERS to become members of LAFPP Tier 6.<sup>4</sup>

In 2017, existing Airport Police were also given the opportunity to transfer from LACERS to LAFPP Tier 6.<sup>5</sup>

Due to a variety of factors, including the ultimate cost borne by these employees to become LAFPP members, some OPS/LAPD, Harbor, and Airport police chose to remain members of LACERS rather than transfer to LAFPP."

In his letter dated September 6, 2022 to LAFPP, the City of Los Angeles City Administrative Officer (CAO), Matthew W. Szabo, requested that the Board of Fire and Police Pension Commissioners authorize Segal to conduct an actuarial study to determine the potential impact "regarding the transfer of all Sworn Peace Officers employed by the Airports Department, Harbor Department and Los Angeles Police Department and all employees in the Park Ranger and related, sequential classifications who are members of a Los Angeles City Employees' Retirement System tier into the Los Angeles Fire and Police Pensions Tier 6. The proposed study would be premised on a conversion of all LACERS service credit into LAFPP Tier 6 credit, including any unfunded liability, paid for by the employing agency, e.g., the Airports Department, Harbor Department, or City of Los Angeles General Fund."

<sup>3</sup> Transferring employees were required to pay a \$5,700 "Transfer Contribution Payment" and only service with the Harbor Department in specific sworn classifications was transferred from LACERS to LAFPP Tier 5.

<sup>4</sup> In addition, pursuant to a March 2013 Charter amendment, in conjunction with their change in employment status, these Tier 6 members had the option to purchase their years of LACERS service credit they earned while employed in specific OPS officer classifications.

<sup>5</sup> As a condition of their transfer from LACERS to LAFPP, transferring Airport Police were required to purchase all their past LACERS service by paying the full actuarial cost of the service being transferred, reduced by the amount of any funds transferred from LACERS to LAFPP in connection with the transferred service.

**It should be noted that some of the members included in this study were already members of LAFPP Tier 5 as of the June 30, 2022 assumed membership and asset transfer date (discussed later in this letter). We have confirmed with LAFPP that we should assume these members would convert all their LACERS service credit into LAFPP Tier 5 credit rather than LAFPP Tier 6 credit. All other members included in the study are assumed to convert all their LACERS service credit into LAFPP Tier 6 credit.**

## Eligible Members

We understand Paul Girard from the CAO's Office has confirmed that members in the following units should be included in this study:

| MOU    | Unit                                 | MOU           | Unit                                |
|--------|--------------------------------------|---------------|-------------------------------------|
| MOU 24 | Los Angeles Police Protective League | MOU 39        | Airport Police Supervisors          |
| MOU 25 | LAPD Command Officer                 | MOU 40        | Airport Command Officers            |
| MOU 28 | Municipal Police Officers            | MOU 65        | Park Rangers                        |
| MOU 38 | Port Police Officers                 | Unrepresented | Airport Staff Officers              |
| MOU 27 | Port Police Command                  | MOU 36        | Chief Park Ranger (class code 1968) |
| MOU 30 | Airport Peace Officers               | MOU 24        | Police Lieutenant (2232-1, 2232-2)  |

On January 27, 2023, LACERS provided us with a file of 677 specific LACERS members who they identified as members of the above-noted units as of June 30, 2022. We compared this file with the data we received to perform the LACERS June 30, 2022 Retirement Plan valuation and we observed that the 677 members were classified as follows at that time:

### Total Eligible Members Identified in LACERS as of June 30, 2022

| LACERS Status as of June 30, 2022                 | Count      |
|---------------------------------------------------|------------|
| Deceased                                          | 6          |
| Retired                                           | 16         |
| Terminated (withdrew LACERS member contributions) | 4          |
| Active                                            | 449        |
| Inactive Vested                                   | <u>202</u> |
| <b>Total</b>                                      | <b>677</b> |

Based on follow-up information from LACERS, after their consultation with the City, we were instructed to exclude the deceased, retired and terminated members counted above. In addition, one of the active members counted above was made a member of LACERS in error in the PensionGold extract for the June 30, 2022 valuation data and we have been instructed to exclude that member as well. As a result, there were 448 active and 202 inactive vested members, for a total of 650 members, included in this study. A breakdown of these 650 members by group and by LACERS status as of June 30, 2022 is as follows:

## Eligible Members Included in Study

| Group            | LACERS Status as of June 30, 2022 |                 |            |
|------------------|-----------------------------------|-----------------|------------|
|                  | Active                            | Inactive Vested | Total      |
| LAPD             | 22                                | 2               | 24         |
| LAWA Police      | 370                               | 110             | 480        |
| Municipal Police | 17                                | 47              | 64         |
| Park Rangers     | 31                                | 21              | 52         |
| Port Police      | 8                                 | 22              | 30         |
| <b>Total</b>     | <b>448</b>                        | <b>202</b>      | <b>650</b> |

Subsequently, on July 28, 2023, LACERS provided us with a file of 1 specific LACERS active member (included in the count of 448 in the table above) and 24 specific LACERS inactive vested members (included in the count of 202 in the table above) who were also confirmed members of LAFPP as of January 2023. We compared this file with the data we received to perform the LAFPP June 30, 2022 Pension Plan valuation and observed the following LACERS and LAFPP statuses for these 25 members:

### Statuses of 25 Members in July 28, 2023 File

| LACERS Status as of June 30, 2022 | LAFPP Status as of June 30, 2022 |               |                 |                    | Total           |
|-----------------------------------|----------------------------------|---------------|-----------------|--------------------|-----------------|
|                                   | Active                           | Active (DROP) | Service Retired | Disability Retired |                 |
| Active                            | 1 <sup>6</sup>                   | -             | -               | -                  | 1               |
| Inactive Vested                   | 21                               | 1             | 1               | 1                  | 24 <sup>7</sup> |
| <b>Total</b>                      | <b>22</b>                        | <b>1</b>      | <b>1</b>        | <b>1</b>           | <b>25</b>       |

Note that 13 out of these 25 members were LAFPP Tier 5 members as of June 30, 2022, and as we noted earlier, we have assumed these members would convert all their LACERS service credit into LAFPP Tier 5 credit. The other 12 of these members (and all the other members included in this study) are assumed to convert all their LACERS service credit into LAFPP Tier 6 credit.

<sup>6</sup> This member was a new trainee in the June 30, 2022 Pension Plan active valuation data for LAFPP, with 0 years of LAFPP service.

<sup>7</sup> We note that of the 202 inactive vested LACERS members, 24 of them, as identified in the aforementioned July 28, 2023 file we received, were also included in the June 30, 2022 LAFPP Pension Plan valuation data, in a status other than inactive vested. Nonetheless, we have included the cost for these 24 LAFPP non-inactive vested members with the cost for all 202 inactive vested LACERS members. That is, we have split the costing based on LACERS June 30, 2022 status, rather than LAFPP status as of that date.

## Special Note Regarding 202 Inactive Vested LACERS Members Included in Study

As requested by the City, we have included 202 inactive vested LACERS members in this study. However, we have identified the cost of these members separately from the LACERS actives because some of the LACERS inactive vested members would not be eligible for LAFPP Tier 5 or Tier 6 benefits unless they return to work for the City before they retire (we currently do not have an assumption in our valuation for LAFPP's inactive vested members to return to active employment) and have at least 20 years of LAFPP service at retirement. Under the LAFPP plan provisions for Tiers 5 and 6, only members with at least 20 years of service would be eligible for a retirement benefit. All other members would be entitled to a refund of member contributions.

The 202 inactive vested LACERS members included in the study have been classified as follows:

- a. There are 149 inactive vested members who have less than 5 years of past LACERS benefit service and are currently assumed to only receive a refund of member contributions at LACERS because they have not met the eligibility requirements to receive a deferred benefit at LACERS. Of the 149 inactive vested LACERS members, 12 were also active LAFPP members, 1 was an active DROP LAFPP member, and 1 was a disability retired LAFPP member. Therefore, after the transfer from LACERS to LAFPP, 135 (i.e.,  $149 - 12 - 1 - 1 = 135$ ) members would also be assumed to receive only a refund of member contributions at LAFPP (because they have less than 20 years of service). The 12 members who were active LAFPP members would continue to be active under LAFPP after the transfer. After consultation with LAFPP, the 1 active DROP member and the 1 disability retired member would be assumed to receive only a refund of member contributions related to their LACERS service after the transfer.
- b. There are 48 inactive vested members who are currently expected to receive a deferred retirement benefit at LACERS (because they have at least 5 years of LACERS benefit service) but they would not be eligible to receive a deferred benefit at LAFPP (because they have less than 20 years of past LACERS benefit service.) Of the 48 inactive vested LACERS members, 9 were also active LAFPP members and 1 was a service retired LAFPP member. For most of these net 38 (i.e.,  $48 - 9 - 1 = 38$ ) members, valuing a liability at LAFPP produces a lower result (equal to the refund of member contributions) than the liability that is valued at LACERS. Therefore, it may be likely that these members would end up not transferring to LAFPP because LAFPP could not pay them a benefit unless they return to work for the City in an eligible position. The 9 members who were active LAFPP members would continue to be active under LAFPP after the transfer. After consultation with LAFPP, the 1 retired member would be assumed to receive only a refund of member contributions related to their LACERS service after the transfer.
- c. There are 5 inactive vested members who have over 20 years of past LACERS benefit service. Accordingly, we have calculated a deferred retirement benefit under LAFPP Tiers 5 or 6 for these members and have used the value of that benefit to calculate the cost of their transfer.

In the sections below, we first provide the methods and assumptions used in determining the amount of assets to be transferred from LACERS to LAFPP for the 650 eligible members. We then provide the methods and assumptions used in determining the cost of converting the service from LACERS to LAFPP Tiers 5 or 6.

## **Section One: Methods and Assumptions Used in Determining Assets to be Transferred**

LACERS has confirmed that we should assume all the LACERS benefit service for the members included in the study is eligible for conversion to LAFPP Tiers 5 or 6, and the calculations that follow reflect a transfer of all benefit service accrued while at LACERS. The results have been prepared using the financial and membership information originally provided for the LACERS Retirement Plan and Retiree Health Plan valuations as of June 30, 2022, for the members identified by LACERS as eligible members for this study.

As previously communicated in our March 30, 2023 e-mail to both LAFPP and LACERS, the preliminary costs determined herein assume a membership and asset transfer date of June 30, 2022, which is the last valuation date that we have complete system-wide membership and financial data for both LAFPP and LACERS. This is based on our understanding that no definitive transfer date has been set yet. Once a final transfer date is chosen, the cost to transfer will have to be recalculated as of that date. In addition to the complications inherent in this preliminary calculation, that recalculation will require additional assumptions or data to be made or obtained, such as salary and service increases as well as returns on assets since June 30, 2022.

Based on the assumed transfer date of June 30, 2022 noted above, the preliminary costs to transfer have been determined based on the respective actuarial assumptions used to perform both the Retirement Plan and Retiree Health Plan valuations for LACERS and LAFPP as of June 30, 2022. During the performance of this study, both systems were undergoing experience studies that were to propose new actuarial assumptions effective for the June 30, 2023 valuations. (Those experience studies have since been completed.) Depending on when the final transfer date for this study is determined, we may need to discuss with both systems which set of actuarial assumptions should be used for the final transfer calculations.

### ***Part A: Determination of Liability as of June 30, 2022***

The amount of funds due to LAFPP from LACERS calculated for this study was determined to be the amount of plan assets available to cover all funded actuarial accrued liability (AAL) for the LACERS service to be transferred. This was the same process we used for a somewhat similar transfer study for Airport Peace Officers (APO) that was performed several years ago, pursuant to the provisions of Section 4.2215 of the Los Angeles Administrative Code.

Note that for the prior APO study, we understood that each employee was responsible to pay for the cost of their transfer of past service. To ensure there was no impact on the member's cost due to their gender, we developed a cost to purchase on a "unisex" basis (so two members with exactly the same information, except one is male and one is female, would have the same cost to transfer). However, for this study, we understand the full cost will be made by the City and

there would be no direct cost for the employee to transfer to LAFPP Tiers 5 or 6 and upgrade their past service from LACERS. Accordingly, we have developed the costs herein on a sex-distinct basis (i.e., the members' genders as reported in the LACERS' June 30, 2022 valuation data were used).

Since the LACERS June 30, 2022 Retirement Plan and Retiree Health Plan valuations were performed on an individual, sex-distinct basis, the total liabilities (prior to any transfer) determined for each of the specific individuals included in this study were based on the liabilities for those members from the June 30, 2022 valuations.

### *Part B: Determination of Asset Transfer as of June 30, 2022*

In order to determine the amount of funds that need to be transferred from LACERS to LAFPP for this study, we utilized the market value funded ratios from the June 30, 2022 valuations for the entire LACERS Retirement and Retiree Health Plans. At the time of the June 30, 2022 valuations, the LACERS Retirement and Retiree Health plans were 70.66% and 93.49% funded on a market value of assets basis, respectively. We applied these funded ratios to each of the members' AAL amounts to calculate the amount of assets to be initially allocated on behalf of each of the members as of June 30, 2022. If the initial allocated amount for a specific member was less than the member's contribution balance at June 30, 2022 (which only applies to the Retirement Plan), then the allocated amount was increased and set equal to the member's contribution balance.

### *Part C: Determination of Net Employer Transfer at June 30, 2022 for Each of the Retirement and Retiree Health Plans*

We determined the net employer amount of assets to be transferred from LACERS to LAFPP as of the June 30, 2022 transfer date to be the total asset amount discussed in Part B above less the amount of member contributions as of that date.

## **Section Two: Methods and Assumptions Used in Determining Cost to Purchase All Past LACERS Service at LAFPP**

While the discussions in Section One above would affect both LACERS and LAFPP, the discussions below pertaining to the cost to upgrade all past LACERS service at LAFPP to be paid by the City would only affect LAFPP.

As noted above, we have been requested to perform asset transfer and cost calculations as of the June 30, 2022 hypothetical transfer date, assuming the eligible members transfer all past service at LACERS to LAFPP. Following the same methodology used for the prior APO study, the City's cost to transfer the past service would be reduced by the amount of any funds transferred from LACERS to LAFPP, determined as described in Section One above.

Any methods and assumptions needed specifically for this study and which were not part of the methods and assumptions used in the June 30, 2022 valuations are described in this letter.

All 448 eligible members currently active in LACERS are assumed to be active LAFPP employees as of the transfer date. Of the 202 eligible members currently inactive vested in LACERS, 178 of them are assumed to remain inactive vested LAFPP members as of the transfer date, 21 of them are currently active in LAFPP (and assumed in the study to remain active), 1 is an active DROP in LAFPP, 1 is a disability retiree in LAFPP, and 1 is a service retiree in LAFPP.

*Part A: Determination of Present Value of Benefits Without Any Transfer Service for Each of the Retirement and Retiree Health Plans*

**For the LACERS members who have never been a member in LAFPP**

In the **hypothetical**<sup>8</sup> case where members do not transfer any of their past LACERS service, the transferring employees would be treated similar to any other members who transfer out of positions eligible for LACERS participation and move to a position eligible for LAFPP participation. That is, the transferring employee would receive the same LAFPP benefits that are available to new employees in the same position within LAFPP.

We calculated the present value of the LAFPP benefits as of the transfer date by projecting that the members would retire (either due to service or disability), participate in the DROP, terminate from service, or die following the assumptions used in the June 30, 2022 valuations,<sup>9</sup> and only considering the service to be earned at LAFPP. However, the assumptions used in the LAFPP valuations for projecting both terminations before retirement and future salary increases are based on years of service, with higher rates of termination and higher salary increases for members with lower service, and vice versa. Therefore, we used the total of the past LACERS service and the service to be earned at LAFPP to determine the termination rates and salary increases to be applied, despite the presumption in this step that the members would not transfer their past LACERS service. This is justified by the observation that members who enter LAFPP membership would not be starting a brand new career with the City and so would be less likely to behave like new employees.

<sup>8</sup> It is necessary to assume, hypothetically, that a member would be allowed not to transfer any past LACERS service, so we can compare the present value of benefits before and after the transfer. Note, however, that in practice, eligible members would transfer to LAFPP Tiers 5 or 6 and have all their past service accrued while a member of LACERS counted as service under LAFPP.

<sup>9</sup> We were informed by LAFPP that all the members included herein would be classified as Police members for annual actuarial valuations purposes. Therefore, we have developed the costs for this study by using the actuarial assumptions for rates of termination, service and disability retirements that we have been assuming for Police members currently enrolled in Tiers 5 or 6.

In addition, for purposes of determining the present value of the LAFPP benefits that is due to termination before retirement, we assumed that the employee contribution rates for the eligible active members is the same as the contribution rates for APO members who have already transferred from LACERS.<sup>10</sup>

**For the 22 LACERS members who are already a member in LAFPP<sup>11</sup>**

Before this study, these 22 members were included in the LAFPP June 30, 2022 valuations as active members and a liability was calculated for them in the LAFPP June 30, 2022 valuations based on their tiers (Tier 5 or Tier 6) and using service they have accrued under LAFPP.

Because a baseline liability has already been established in the LAFPP June 30, 2022 valuations for these 22 members, we have used the present value of benefits determined in the LAFPP June 30, 2022 valuations as their present value of benefit without any transfer service.

*Part B: Determination of Present Value of Benefits with LACERS Service Transferred for Each of the Retirement and Retiree Health Plans*

We calculated the present value of the LAFPP benefits with LACERS service as of the transfer date by using a similar process discussed above in Part A except that we now included all the past service from LACERS as LAFPP service. In calculating the present value of the LAFPP benefits, we also included a liability for the refund of LACERS member contributions anticipated by the termination assumptions used in the LAFPP valuations.

*Part C: Determination of the Increase in the Present Value of Benefits for Each of the Retirement and Retiree Health Plans for Transferring Service*

We took the difference between the present value of benefits determined in Section Two, Parts B and A, and offset that result with the member and employer assets transferred from LACERS as determined in Section One, Part B. That difference (if positive) is the net cost after the asset transfer to transfer all past LACERS service to LAFPP.

<sup>10</sup> In particular, for Tier 5 members, we assumed the contribution rate is 9%. For Tier 6 members, we assumed the contribution rate is 11% until June 30, 2026. Thereafter, if the Tier 6 member has less than 25 years of service, the contribution will remain at 11% and if the Tier 6 member has 25 or more years of service, the contribution rate will reduce to 10%.

<sup>11</sup> Based on the July 28, 2023 file provided by LACERS, 1 of these LACERS members was an active member in LACERS and 21 of these members were LACERS Inactive Vested members as of June 30, 2022.

There are 47 active members under the Pension Plan and 96 active members under the Health Plan for which the difference between the present value of benefits determined in Section Two, Parts B and A is less than the member and employer assets transferred from LACERS as determined in Section One. There are also 37 inactive vested members under the Pension Plan and 26 inactive vested members under the Health Plan that fall into the same category. For these members, we have set the present value of LACERS benefit service at LAFPP to be no less than the amount of the LACERS asset amount to be transferred. These adjustments are about \$2.5 million for active members and \$5.4 million for inactive vested members for Pension and Health Plans combined and represent a more conservative estimate of the net cost to the City. The \$5.4 million for inactive vested members is higher because many of those members are not expected to be eligible for LAFPP pension or health benefits unless they return to active employment after the transfer.

## Results

Attachment A to this letter shows the net cost to the City to transfer all past LACERS service to LAFPP for the 448 active and 202 inactive vested eligible members, and the amount of assets to be transferred from LACERS to LAFPP for those members. The costs shown are calculated as of the hypothetical June 30, 2022 transfer date and are subject to change based on the final agreed upon transfer date.

## Statement of Actuarial Opinion

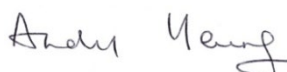
The undersigned are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Please let us know if you have any questions on this information.

Sincerely,



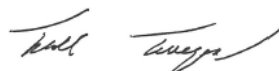
Paul Angelo, FSA, MAAA, FCA, EA  
Senior Vice President and Actuary



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



Mehdi Riazi, FSA, MAAA, FCA, EA  
Vice President and Actuary



Todd Tauzer, FSA, MAAA, FCA, CERA  
Senior Vice President and Actuary

DNA/hy  
Enclosure

## Sworn Peace Officers and Park Rangers Transfer Study

### Cost to Move All LACERS Benefit Service to LAFPP Tiers 5 or 6 as of June 30, 2022

| (1)<br>Group / Status              | (2)<br>Number of Members | (3)<br>Projected Annual Payroll as of June 30, 2022 | (4)<br>Total Years of LACERS Benefit Service Available for Transfer | Pension                                                  |                                         |                                           |                                                      |                         | Health                                                   |                             |                         | (11)<br>Total Net Cost | (12)<br>Amortized Payment<br>15-Year Amortized Payment of Total Cost at LAFPP*** |
|------------------------------------|--------------------------|-----------------------------------------------------|---------------------------------------------------------------------|----------------------------------------------------------|-----------------------------------------|-------------------------------------------|------------------------------------------------------|-------------------------|----------------------------------------------------------|-----------------------------|-------------------------|------------------------|----------------------------------------------------------------------------------|
|                                    |                          |                                                     |                                                                     | (5)<br>Present Value of LACERS Benefit Service at LAFPP* | (6a)<br>LACERS Pension Assets: Employer | (6b)<br>LACERS Pension Assets: Employee** | (6c)<br>LACERS Pension Assets: Employer and Employee | (7)<br>Net Pension Cost | (8)<br>Present Value of LACERS Benefit Service at LAFPP* | (9)<br>LACERS Health Assets | (10)<br>Net Health Cost |                        |                                                                                  |
| <b>LAPD</b>                        |                          |                                                     |                                                                     |                                                          |                                         |                                           |                                                      |                         |                                                          |                             |                         |                        |                                                                                  |
| Active - not LAFPP active          | 22                       | \$2,850,650                                         | 461.78                                                              | \$16,480,733                                             | \$7,868,993                             | \$4,145,470                               | \$12,014,463                                         | \$4,466,270             | \$3,445,231                                              | \$2,556,438                 | \$888,793               | \$5,355,063            | \$452,880                                                                        |
| Inactive Vested - not LAFPP active | 2                        |                                                     | 1.19                                                                | 4,376                                                    | 0                                       | 4,376                                     | 4,376                                                | 0                       | 0                                                        | 0                           | 0                       | 0                      | 0                                                                                |
| <b>Subtotal</b>                    | <b>24</b>                |                                                     | <b>462.97</b>                                                       | <b>\$16,485,109</b>                                      | <b>\$7,868,993</b>                      | <b>\$4,149,846</b>                        | <b>\$12,018,839</b>                                  | <b>\$4,466,270</b>      | <b>\$3,445,231</b>                                       | <b>\$2,556,438</b>          | <b>\$888,793</b>        | <b>\$5,355,063</b>     | <b>\$452,880</b>                                                                 |
| <b>LAWA Police</b>                 |                          |                                                     |                                                                     |                                                          |                                         |                                           |                                                      |                         |                                                          |                             |                         |                        |                                                                                  |
| Active - not LAFPP active          | 370                      | \$46,881,509                                        | 6,683.45                                                            | \$239,653,601                                            | \$127,268,524                           | \$62,967,349                              | \$190,235,873                                        | \$49,417,728            | \$47,158,037                                             | \$38,731,703                | \$8,426,334             | \$57,844,062           | \$4,891,892                                                                      |
| Inactive Vested - not LAFPP active | 110                      |                                                     | 467.41                                                              | 9,577,620                                                | 4,152,098                               | 3,731,845                                 | 7,883,943                                            | 1,693,677               | 1,669,751                                                | 1,064,922                   | 604,829                 | 2,298,506              | 194,385                                                                          |
| <b>Subtotal</b>                    | <b>480</b>               |                                                     | <b>7,150.86</b>                                                     | <b>\$249,231,221</b>                                     | <b>\$131,420,622</b>                    | <b>\$66,699,194</b>                       | <b>\$198,119,816</b>                                 | <b>\$51,111,405</b>     | <b>\$48,827,788</b>                                      | <b>\$39,796,625</b>         | <b>\$9,031,163</b>      | <b>\$60,142,568</b>    | <b>\$5,086,277</b>                                                               |
| <b>Municipal Police</b>            |                          |                                                     |                                                                     |                                                          |                                         |                                           |                                                      |                         |                                                          |                             |                         |                        |                                                                                  |
| Active - not LAFPP active          | 17                       | \$2,044,492                                         | 378.60                                                              | \$12,712,924                                             | \$6,127,888                             | \$3,326,244                               | \$9,454,132                                          | \$3,258,792             | \$2,935,910                                              | \$2,196,615                 | \$739,295               | \$3,998,087            | \$338,120                                                                        |
| Inactive Vested - not LAFPP active | 38                       |                                                     | 147.99                                                              | 3,063,680                                                | 1,056,960                               | 930,209                                   | 1,987,169                                            | 1,076,511               | 684,082                                                  | 276,964                     | 407,118                 | 1,483,629              | 125,471                                                                          |
| Inactive Vested - LAFPP active     | 9                        |                                                     | 58.98                                                               | 2,521,504                                                | 118,659                                 | 361,317                                   | 479,976                                              | 2,041,528               | 252,758                                                  | 59,927                      | 192,831                 | 2,234,359              | 188,961                                                                          |
| <b>Subtotal</b>                    | <b>64</b>                |                                                     | <b>585.57</b>                                                       | <b>\$18,298,108</b>                                      | <b>\$7,303,507</b>                      | <b>\$4,617,770</b>                        | <b>\$11,921,277</b>                                  | <b>\$6,376,621</b>      | <b>\$3,872,750</b>                                       | <b>\$2,533,506</b>          | <b>\$1,339,244</b>      | <b>\$7,716,075</b>     | <b>\$652,552</b>                                                                 |
| <b>Park Rangers</b>                |                          |                                                     |                                                                     |                                                          |                                         |                                           |                                                      |                         |                                                          |                             |                         |                        |                                                                                  |
| Active - not LAFPP active          | 31                       | \$2,811,834                                         | 348.22                                                              | \$9,697,412                                              | \$4,273,067                             | \$2,422,724                               | \$6,695,791                                          | \$3,001,621             | \$2,238,799                                              | \$1,829,460                 | \$409,339               | \$3,410,960            | \$288,466                                                                        |
| Inactive Vested - not LAFPP active | 21                       |                                                     | 63.75                                                               | 609,299                                                  | 256,407                                 | 352,892                                   | 609,299                                              | 0                       | 134,259                                                  | 134,259                     | 0                       | 0                      | 0                                                                                |
| <b>Subtotal</b>                    | <b>52</b>                |                                                     | <b>411.97</b>                                                       | <b>\$10,306,711</b>                                      | <b>\$4,529,474</b>                      | <b>\$2,775,616</b>                        | <b>\$7,305,090</b>                                   | <b>\$3,001,621</b>      | <b>\$2,373,058</b>                                       | <b>\$1,963,719</b>          | <b>\$409,339</b>        | <b>\$3,410,960</b>     | <b>\$288,466</b>                                                                 |
| <b>Port Police</b>                 |                          |                                                     |                                                                     |                                                          |                                         |                                           |                                                      |                         |                                                          |                             |                         |                        |                                                                                  |
| Active - not LAFPP active          | 7                        | \$1,014,152                                         | 174.96                                                              | \$6,572,201                                              | \$3,555,394                             | \$1,549,309                               | \$5,104,703                                          | \$1,467,498             | \$1,203,389                                              | \$869,828                   | \$333,561               | \$1,801,059            | \$152,316                                                                        |
| Active - LAFPP active              | 1                        | 66,513                                              | 1.27                                                                | 73,886                                                   | 1,354                                   | 6,463                                     | 7,817                                                | 66,069                  | 4,274                                                    | 4,274                       | 0                       | 66,069                 | 5,587                                                                            |
| Inactive Vested - not LAFPP active | 10                       |                                                     | 34.14                                                               | 562,463                                                  | 438,834                                 | 123,629                                   | 562,463                                              | 0                       | 38,597                                                   | 38,597                      | 0                       | 0                      | 0                                                                                |
| Inactive Vested - LAFPP active     | 12                       |                                                     | 42.73                                                               | 2,641,677                                                | 130,231                                 | 285,689                                   | 415,920                                              | 2,225,757               | 197,603                                                  | 0                           | 197,603                 | 2,423,360              | 204,944                                                                          |
| <b>Subtotal</b>                    | <b>30</b>                |                                                     | <b>253.10</b>                                                       | <b>\$9,850,227</b>                                       | <b>\$4,125,813</b>                      | <b>\$1,965,090</b>                        | <b>\$6,090,903</b>                                   | <b>\$3,759,324</b>      | <b>\$1,443,863</b>                                       | <b>\$912,699</b>            | <b>\$531,164</b>        | <b>\$4,290,488</b>     | <b>\$362,847</b>                                                                 |
| <b>All Groups Combined</b>         |                          |                                                     |                                                                     |                                                          |                                         |                                           |                                                      |                         |                                                          |                             |                         |                        |                                                                                  |
| Active - not LAFPP active          | 447                      | \$55,602,637                                        | 8,047.01                                                            | \$285,116,871                                            | \$149,093,866                           | \$74,411,096                              | \$223,504,962                                        | \$61,611,909            | \$56,981,366                                             | \$46,184,044                | \$10,797,322            | \$72,409,231           | \$6,123,674                                                                      |
| Active - LAFPP active              | 1                        | 66,513                                              | 1.27                                                                | 73,886                                                   | 1,354                                   | 6,463                                     | 7,817                                                | 66,069                  | 4,274                                                    | 4,274                       | 0                       | 66,069                 | 5,587                                                                            |
| Inactive Vested - not LAFPP active | 181                      |                                                     | 714.48                                                              | 13,817,438                                               | 5,904,299                               | 5,142,951                                 | 11,047,250                                           | 2,770,188               | 2,526,689                                                | 1,514,742                   | 1,011,947               | 3,782,135              | 319,856                                                                          |
| Inactive Vested - LAFPP active     | 21                       |                                                     | 101.71                                                              | 5,163,181                                                | 248,890                                 | 647,006                                   | 895,896                                              | 4,267,285               | 450,361                                                  | 59,927                      | 390,434                 | 4,657,719              | 393,905                                                                          |
| <b>Total</b>                       | <b>650</b>               | <b>\$55,669,150</b>                                 | <b>8,864.47</b>                                                     | <b>\$304,171,376</b>                                     | <b>\$155,248,409</b>                    | <b>\$80,207,516</b>                       | <b>\$235,455,925</b>                                 | <b>\$68,715,451</b>     | <b>\$59,962,690</b>                                      | <b>\$47,762,987</b>         | <b>\$12,199,703</b>     | <b>\$80,915,154</b>    | <b>\$6,843,022</b>                                                               |

\* For each individual member, the present value of the LACERS benefit service at LAFPP has been calculated to be an amount not less than the amount of the LACERS asset for that member, separately for Pension and Health.

\*\* Total of member contribution balances as of June 30, 2022.

\*\*\* Beginning of year. The amortized payment is calculated using the 7.00% investment return assumption along with the 3.25% payroll growth assumption used in the June 30, 2022 LAFPP actuarial valuation.

If the payment is funded over an open group payroll, the contribution rate will be level as a percentage of payroll.

If the City pays the total net cost at the time of the transfer, there would be no impact on LAFPP's funded ratio or unfunded actuarial accrued liability (UAAL). For the Pension Plan, should the City choose to amortize the initial net Pension cost of \$68.7 million over 15 years, LAFPP's funded ratio (on a valuation value of assets basis) would initially decrease from 98.0% to 97.7% at the time of the assumed transfer date of June 30, 2022 and the UAAL would initially increase by the \$68.7 million. The funded ratio would increase over time (and the UAAL would decrease over time) as the City makes the amortized payments over 15 years. For the OPEB plan, choosing to amortize the initial \$12.2 million net Health cost would have very little impact on the funded ratio (74.3%).