

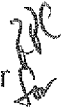
REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: September 24, 2012

CAO File No. 0220-04675-0003
Council File No. 11-1392
Council District: ALL

To: The Council

From: Miguel A. Santana, City Administrative Officer 

Reference: Letter from the Segal Company dated September 21, 2012

Subject: **ORDINANCE TO ALLOW DEPARTMENT OF GENERAL SERVICES OFFICERS TO REMAIN IN THE LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM**

SUMMARY

On May 15, 2012, the Council approved an Office of the City Administrative Officer (CAO) report that recommended consolidating the Department of General Services (GSD), Office of Public Safety (OPS) into the Police Department (LAPD). The consolidation was adopted with an effective implementation date of July 1, 2012, as a part of the Mayor and the Council's Fiscal Year 2012-13 Budget.

On August 20, 2012, the City Attorney's Office submitted an ordinance adding Subsection (c) to Section 4.1002 of Chapter 10 of Division 4 of the Los Angeles Administrative Code to allow sworn peace officer personnel, who provide police services for the City, to maintain membership in the Los Angeles City Employees' Retirement System (LACERS) when their sworn positions are transferred from the Department of General Services' Office of Public Safety into the Los Angeles Police Department. The ordinance further provides that these transferring employees may elect to opt out of LACERS and become members of the Los Angeles Fire and Police Pension Plan (LAFPP) or the Pension Savings Plan. In these cases, the transferring employees would be treated similar to any other members who transfer out of positions eligible for LACERS participation and move to a regular sworn LAPD position. That is, the transferring employee would receive the same LAFPP (or Pension Savings Plan) benefits that are available to new employees in the same position with the LAPD.

On September 21, 2012, the Segal Company transmitted a letter to the General Manager of LACERS which states, "The transfer of sworn peace officers to the LAPD, while maintaining their LACERS membership, would not create any additional cost to the City of Los Angeles, as these members would be retaining their existing LACERS' benefits."

RECOMMENDATION

Note and file this report, inasmuch as it is being provided for informational purposes only.

FISCAL IMPACT STATEMENT

There is no impact to the General Fund; the transfer of sworn peace officers from the Department of General Services to the Police Department, while maintaining their Los Angeles City Employees' Retirement System (LACERS) membership, would not create any additional cost to the City of Los Angeles, as these members would be retaining their existing LACERS' benefits.

MAS:JLK:04130036c

Attachment



THE SEGAL COMPANY
100 Montgomery Street, Suite 500 San Francisco, CA 94104-4308
T 415.263.8200 F 415.263.8290 www.segalco.com

September 21, 2012

Mr. Tom Moutes
General Manager
Los Angeles City Employees' Retirement System
202 West First Street, Suite 500
Los Angeles, CA 90012-4401

**Re: Los Angeles City Employees' Retirement System (LACERS) -
Costing Study for Transfer of Sworn General Services Employees to the
Los Angeles Police Department (LAPD)**

Dear Tom:

As requested, we are providing this letter in order to comply with Section 1216, Subsection (d) of the Los Angeles City Charter as it applies to the costing of the benefits associated with the possible transfer of certain General Services employees to sworn positions with the LAPD.

Background

Based on Lita Payne's August 20, 2012 e-mail, we were originally authorized to perform an actuarial costing study associated with the transfer of certain General Services employees into sworn positions with the LAPD. This was pursuant to a proposed ordinance attached to an August 17 request from Miguel Santana, City Administrative Officer, to LACERS (copy attached). The costing study was originally deemed necessary in order to comply with California Government Code Section 7507.

Subsequent to that request, we received a letter dated September 4, 2012 (copy also attached) from Mr. Alan L. Manning, Assistant City Attorney for Los Angeles, in which he stated that his office "has determined that Government Code Section 7507 is not applicable to this proposed ordinance." Mr. Manning's letter further states that Segal should provide "the actuarial report required by Subsection (d) of Charter Section 1216." This subsection requires that the City Council "shall be advised in writing by an enrolled actuary as to the cost of the proposed benefits."



Provisions of the Proposed Ordinance

As stated in the proposed ordinance, the ordinance would “allow sworn peace officer personnel, who provide police services for the City, to maintain membership in the Los Angeles City Employees’ Retirement System when their sworn positions are transferred from the Department of General Services’ Office of Public Safety into the Los Angeles Police Department.”

We understand that the ordinance further provides that these transferring employees may elect to opt out of LACERS and become members of the Los Angeles Fire and Police Pension Plan (LAFPP) or the Pension Savings Plan. In these cases, the transferring employees would be treated similar to any other members who transfer out of positions eligible for LACERS participation and move to a regular sworn LAPD position. That is, the transferring employee would receive the same LAFPP (or Pension Savings Plan) benefits that are available to new employees in the same position with the LAPD.

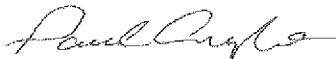
Cost of the Proposed Benefits

Based on the discussion above, the transfer of sworn peace officers to the LAPD, while maintaining their LACERS membership, would not create any additional cost to the City of Los Angeles, as these members would be retaining their existing LACERS’ benefits. The employer costs determined for any such LACERS members for fiscal year 2012/2013 would therefore be the same costs as those determined in the LACERS June 30, 2011 actuarial valuation report (dated December 7, 2011) and follow-up contribution rate phase-in letter dated December 8, 2011.

Similarly, for transferring employees who opt out of LACERS and elect to become members of LAFPP, the employer costs determined for these members for fiscal year 2012/2013 would be the same costs as those determined in the LAFPP June 30, 2011 valuation report (dated January 11, 2012). In addition, LACERS would retain the past service liability for these members for service accrued prior to the opt-out date.

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 Associate Actuary

DNA/kek
Enclosures (5211438, 5211459)

cc: Lita Payne

OFFICE OF
CITY ATTORNEY

ATTORNEYS FOR THE
DEPARTMENT OF
FIRE AND POLICE PENSIONS
—
LOS ANGELES CITY
EMPLOYEES' RETIREMENT SYSTEM
—
WATER AND POWER EMPLOYEES'
RETIREMENT PLAN



CARMEN A. TRUTANICH
CITY ATTORNEY

RETIREMENT BENEFITS
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LOS ANGELES, CALIFORNIA 90012-4203
TELEPHONE: (213) 978-4400
—
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VIA E-MAIL TRANSMISSION

pangelo@segalco.com

September 4, 2012

Mr. Paul Angelo
Senior Vice President and Actuary
Segal and Company
100 Montgomery Street, Suite 500
San Francisco, CA 94104


Re: Proposed Ordinance Concerning Retirement Benefits For Transferring Peace Officers

Dear Mr. Angelo:

The proposed ordinance referenced above concerns the transfer of employees, who have limited peace officer status, from one City department (General Services) to another City department (the Los Angeles Police Department). Section 1216 of the Los Angeles City Charter authorizes the City Council to allow these transferring members to retain their current retirement benefits with the Los Angeles City Employees' Retirement System when their positions are transferred.

The City has requested that you provide the actuarial report required by Subsection (d) of Charter Section 1216. This subsection states that the City Council, prior to the adoption of this proposed ordinance, "...shall be advised in writing by an enrolled actuary as to the cost of the proposed benefits..." to be provided to these transferring employees. As you requested, this is to confirm that our office has determined that Government Code Section 7507 is not applicable to this proposed ordinance

Very truly yours,



Alan L. Manning
Assistant City Attorney

ALM/

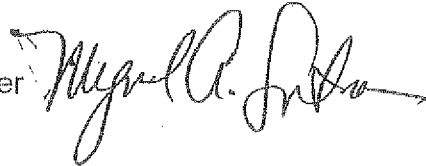


CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Date: August 17, 2012

To: Tom Moutes, General Manager
Los Angeles City Employees' Retirement System
Attn: Lita Payne, Assistant General Manager

From: Miguel A. Santana, City Administrative Officer



Subject: **ACTUARIAL STUDY**

The City will be transmitting an ordinance (draft attached) to City Council providing benefits other than what is provided by the Fire and Police Pension Plan, which is allowable under Charter Section 1216 (b)(1). Because an alternative retirement option is being proposed, an actuarial study must be completed to provide the City Council with the information it needs to consider the ordinance.

As my staff as discussed with you, we are requesting that Segal perform the actuarial study. My office will then reimburse LACERS for the cost of the study.

The classes that will remain in LACERS, rather than enrolling in the Fire and Police Pension Plan upon transitioning to an LAPD sworn position, unless electing to opt-out of LACERS pursuant to the provisions of the ordinance, will be:

Class Title	Class Code	MOU
General Services Police Officer	3183	28
General Services Police Sergeant	3185	12
General Services Police Lieutenant	3198	12
General Services Police Chief I & II	3188	36

This will be limited to only the sworn employees in the above classes at the time of the transfer (at present, 94 total employees). In the future, if additional employees are hired into those classes, they will not be eligible to remain in LACERS, should they transfer to LAPD sworn classes.

The first reading of the ordinance will be Friday, August 24, 2012 and the second reading on Tuesday, September 25, 2012. These dates are tentative, however, it is required that the study be submitted to City Council prior to the second reading.

If you have any questions regarding this matter, please contact Susan Ozawa at (213) 978-7637 or Susan.Ozawa@lacity.org. In her absence, please contact Maritta Aspen at (213) 978-7641 or Maritta.Aspen@lacity.org.