

CITY OF LOS ANGELES: RETIREMENT BENEFIT COSTS

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City of Los Angeles Retirement Systems - Membership



System	Active Employees	Retirees	Beneficiaries
Los Angeles City Employees Retirement System (LACERS)	26,042	15,477	3,902
Los Angeles Fire and Police Pension (LAFPP)	13,442	10,506	2,384
Los Angeles Department of Water and Power (LADWP)	10,114	7,199	1,966
Totals	49,598	33,182	8,252

Data as of June 30, 2018. Source: 2018 Actuarial Valuation Reports for Each Plan

City of Los Angeles Retirement Systems – Pension Benefits



System	Retirement Age	Annual Service Credits
LACERS – Tier 1	55 (with 30 years of service)	2.16% (100% Max)
LACERS – Tier 3	60 (with 10 years of service)	1.50%-2.00% (80% Max)
LAFPP – Tier 5	50 (with 20 years of service)	2.5% - 4.0% (90% Max)
LAFPP – Tier 6	50 (with 20 years of service)	2.0% - 4.0% (90% Max)
LADWP – Tier 1	Any age with 30 years of service	2.10% (100% Max)
LADWP – Tier 2	Any age with 30 years of service	1.50% - 2.10% (80% Max)

Data as of June 30, 2018. Source: 2018 Actuarial Valuation Reports for Each Plan

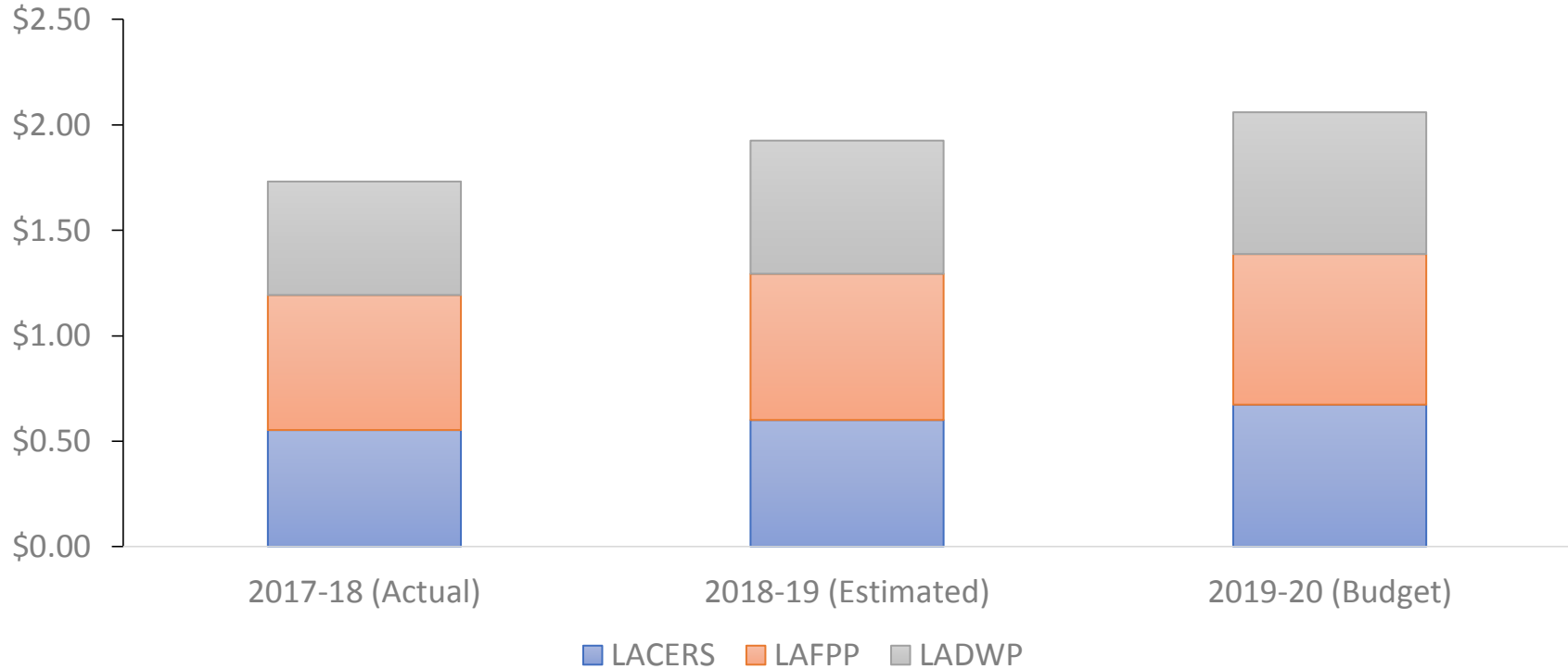
City of Los Angeles Retirement Systems – Retiree Health Benefits



System	Premium Subsidy for Medical and Dental Insurance
LACERS – Tier 1	Up to \$1835/month
LACERS – Tier 3	Up to \$1835/month
LAFPP – Tier 5	Up to \$1770/month pre-Medicare, \$ 587/month for those on Medicare
LAFPP – Tier 6	Up to \$1770/month pre-Medicare, \$ 587/month for those on Medicare
LADWP – Tier 1	Up to \$1787/month
LADWP – Tier 2	Up to \$924/month

Data as of June 30, 2018. Source: 2018 Actuarial Valuation Reports for Each Plan

LA City Retirement Contributions (\$ in Billions)



Source: Proposed 2019-20 Budget. LADWP retiree healthcare costs (not broken out in budget) are estimated.

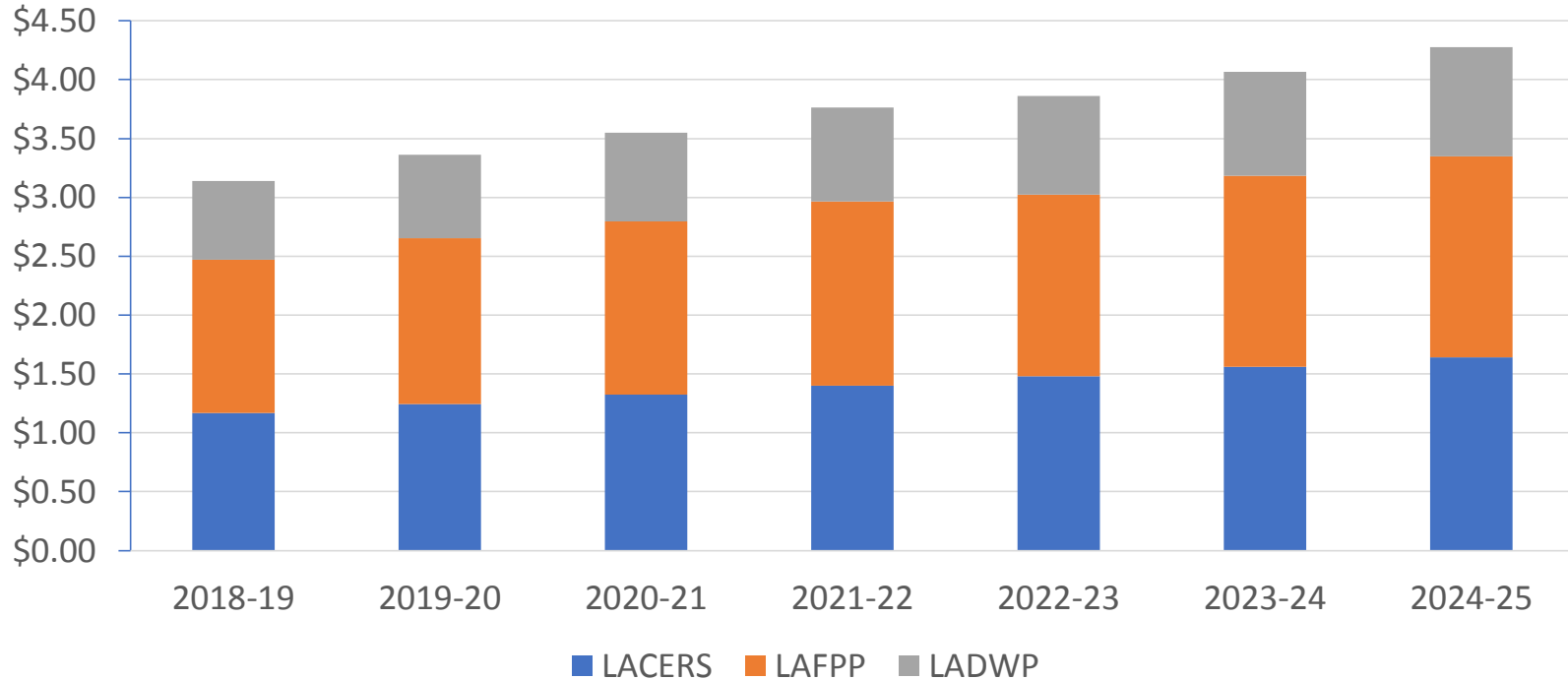
Budgetary Impact



- Comparing pension and OPEB expenditures to the overall budget is difficult because disclosures generally don't show how much of these contributions are borne by the general fund, other governmental funds or business-type activities (like the Harbor or Convention Center).
- According to Controller Galperin: “The City of L.A. spent \$1.2 billion, or 13 percent of its \$9.3 billion budget, on pensions in FY18. This compares to 11 percent spent 10 years ago and nine percent spent 20 years ago.”
- On a consolidated basis, in FY 2017/2018, LA reported:

	Amounts in Billions	% of Total Spending
Pension Contributions	\$1.343	9.6%
OPEB Contributions	0.375	2.7%
Total Retirement Contributions	\$1.718	12.3%
Total Expenses	\$14.010	

LA City Projected Benefit Payments (\$ in Billions)



Source: Actuarial valuations for each system. LADWP pension benefits are author's projections.

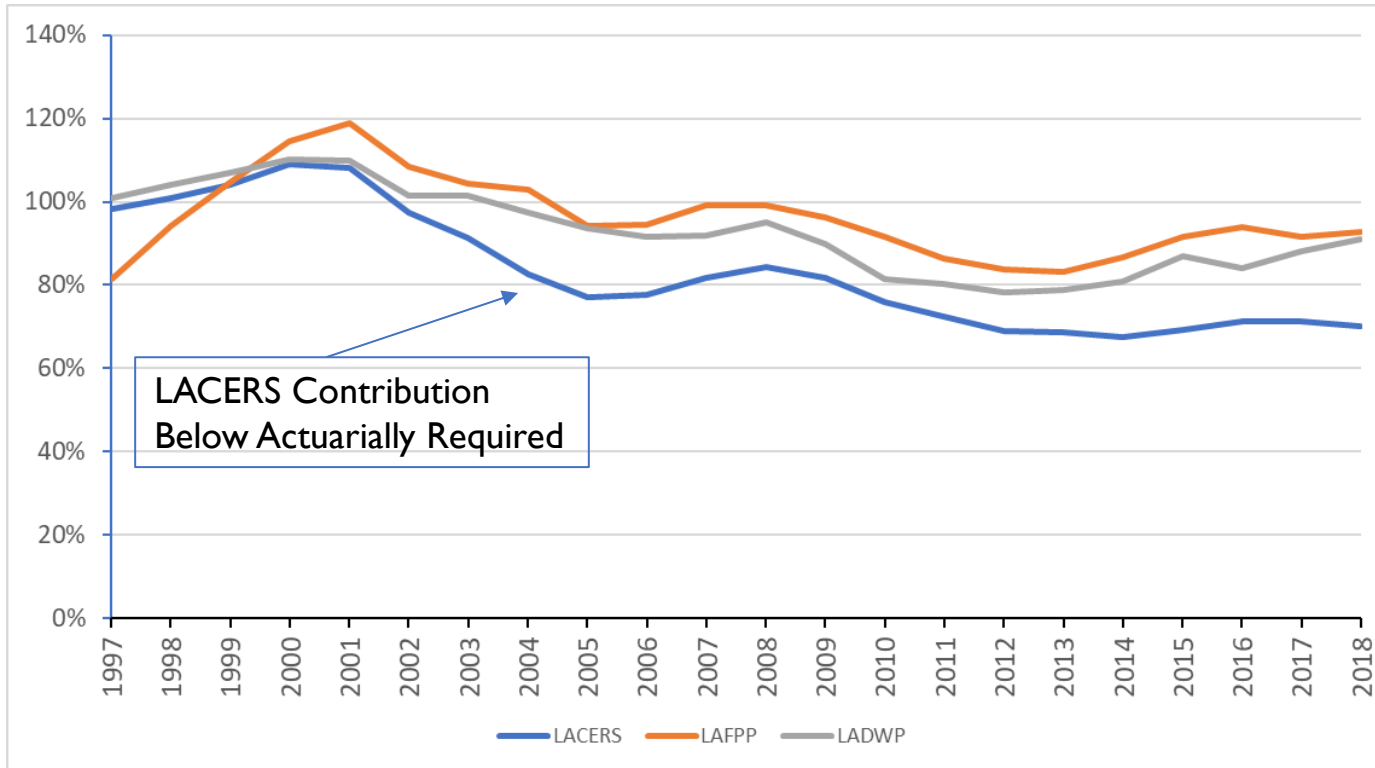


Many Retirees Receive Pension Payouts

System	Number Receiving > \$100,000	Highest Pension Amount
LACERS	914	\$378,380
LAFPP	1177	\$370,488
LADWP	714	\$363,061
Total	2805	

- LAFPP data for 2016; LACERS and LAFPP for 2018
- Excludes one time Deferred Retirement Option Plan payments to certain retired safety employees. Three LA retirees received DROP payments in excess of \$1 million.
- State pension reform (PEPRA) limited pensionable income for new employees. In 2018, the limit is \$142,530. LA systems do not appear to have similar limits – aside from the IRS ceiling of \$285,000.

LA City Pension System Funded Ratios Over Time



Source: Actuarial Valuation Reports for Each Plan

Policy Options



- Under the California Rule, cities cannot reduce pension benefits promised to current employees, so cost reductions are only possible for OPEB benefits and by creating new benefit tiers.
 - Consider phasing out health care premium subsidies for retirees receiving pension benefits over a certain threshold and those eligible for Medicare
 - Consider offering new hires a hybrid pension plan under which some of the benefits are guaranteed by taxpayers, but the rest are based on employee savings and investment performance
 - Limit pensionable income for new hires.
- Some California cities are making extra pension contributions to reduce their pension liabilities.

Comparing City, County and Unified School District



	LA City	LA County	LA Unified
Unfunded Pensions	\$8,438,197,000	\$10,849,931,000	\$6,971,551,000
Unfunded OPEB	2,813,913,000	26,322,143,000	14,968,510,000
Total Retirement Liability	\$11,252,110,000	\$37,172,074,000	\$21,940,061,000
Number of Parcels	788,612	2,372,448	1,008,000
Retirement Liability Per Property	\$14,268	\$15,668	\$21,766