



# LAFPP

LOS ANGELES FIRE AND POLICE PENSIONS

## 2010 BOARD EDUCATIONAL RETREAT Overview of Benefits Administration

January 7, 2010



To Serve Those Who Protect



## What are We Going to Cover?

- Legal Mandates
- Who We Serve
- Benefits Provided
- Measuring Progress
- How We Pay for Benefits

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# What are Our Legal Mandates?





## Legal Mandates

*Article XVI, Section 17 of the California Constitution:*

- Grants the board of the state's public employee retirement systems sole and exclusive authority over investment decisions and administration, and requires the board to administer the retirement system so as to assure prompt delivery of benefits to participants and beneficiaries.
- It also specifies that the delivery of benefits to participants and beneficiaries and the board's duty to participants and beneficiaries takes precedence over any other duty.

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## Legal Mandates

*Los Angeles City Charter Section 1106 :*

Each pension and retirement board of the City shall have sole and exclusive responsibility to administer its system for the following purposes:

- To provide benefits to system participants and their beneficiaries and to assure prompt delivery of those benefits and related services;
- To minimize City contributions; and
- To defray the reasonable expenses of administering the system.

*The duty to system participants and their beneficiaries shall take precedence over any other duty.*

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# Who Do We Serve?





## More Than One Pension Plan

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Tier	Dates	Eligibility	Max Pension
Tier 1	1925-1/28/67	20 YOS	66.66% at 35 YOS
Tier 2	1/19/67 – 12/7/80	20 YOS	70% at 30 YOS
Tier 3	12/8/80 – 6/30/97	10 YOS/Age 50	70% at 30 YOS
Tier 4	7/1/97 – 12/31/01	20 YOS	70% at 30 YOS
Tier 5	1/1/02 – present	20 YOS/Age 50	90% at 33 YOS
Tier 6	????		

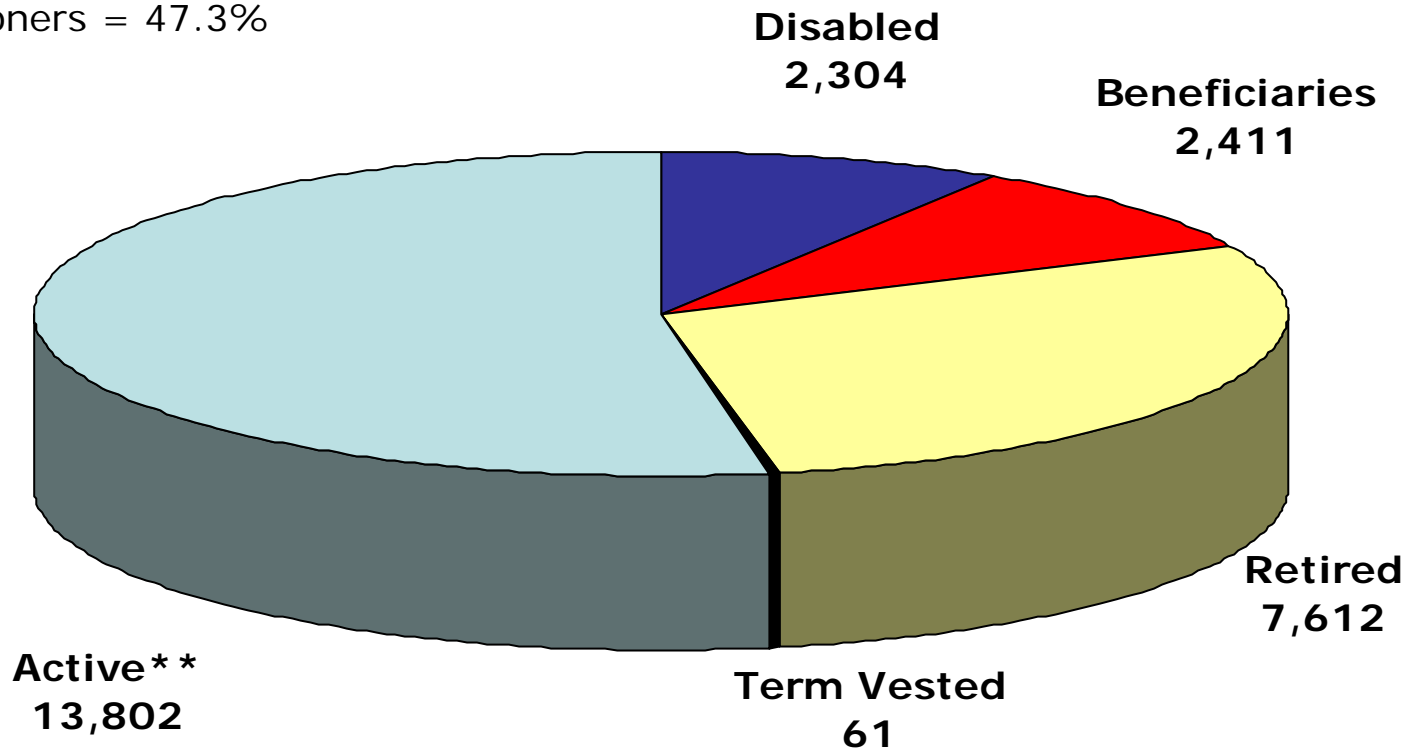




# Membership Distribution\*

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Total Membership = 26,190  
Active = 52.7%  
Pensioners = 47.3%



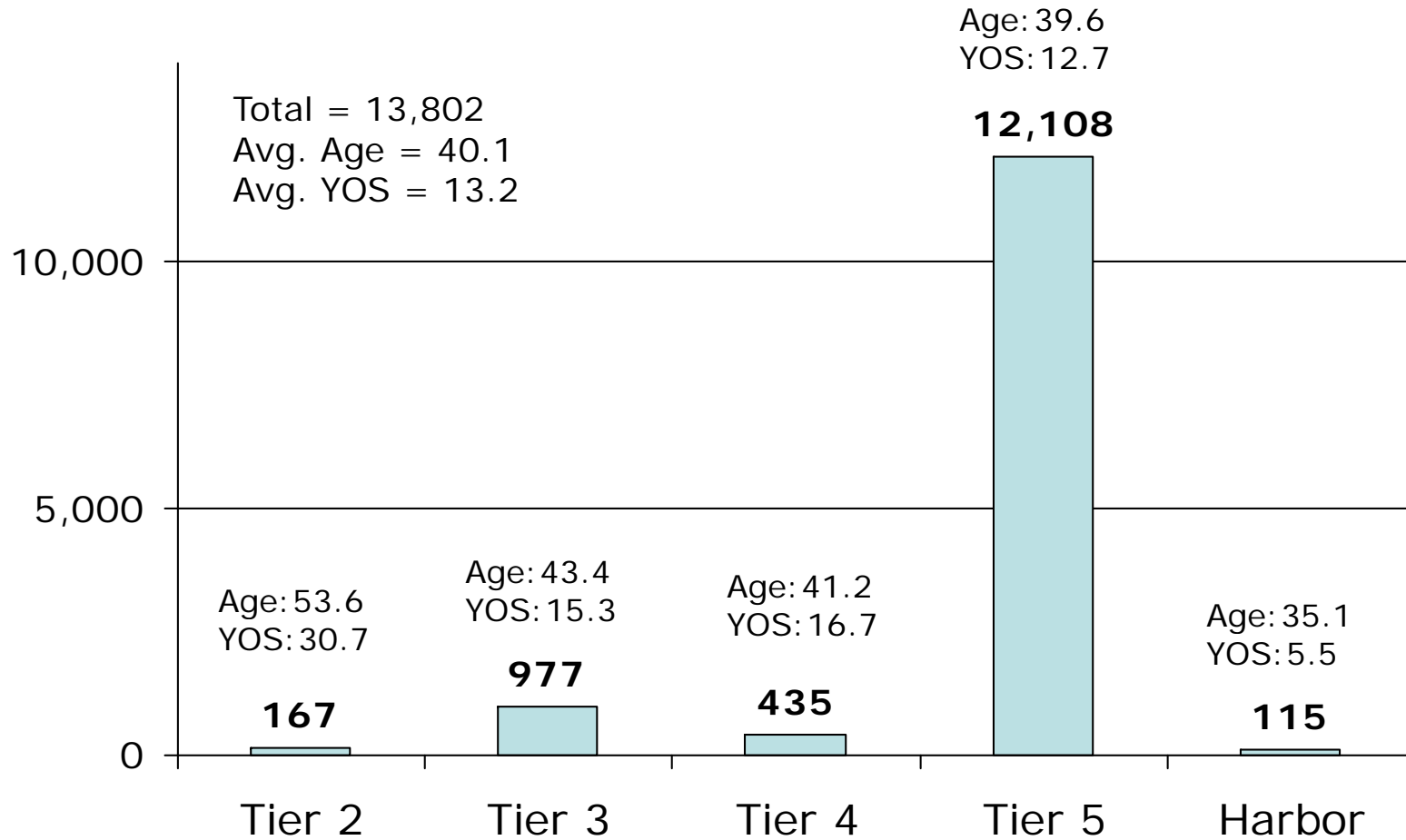
\*As of June 30, 2009 Actuarial Valuation  
\*\*Active Membership includes 1,024 DROP





# Active Member Demographics\*

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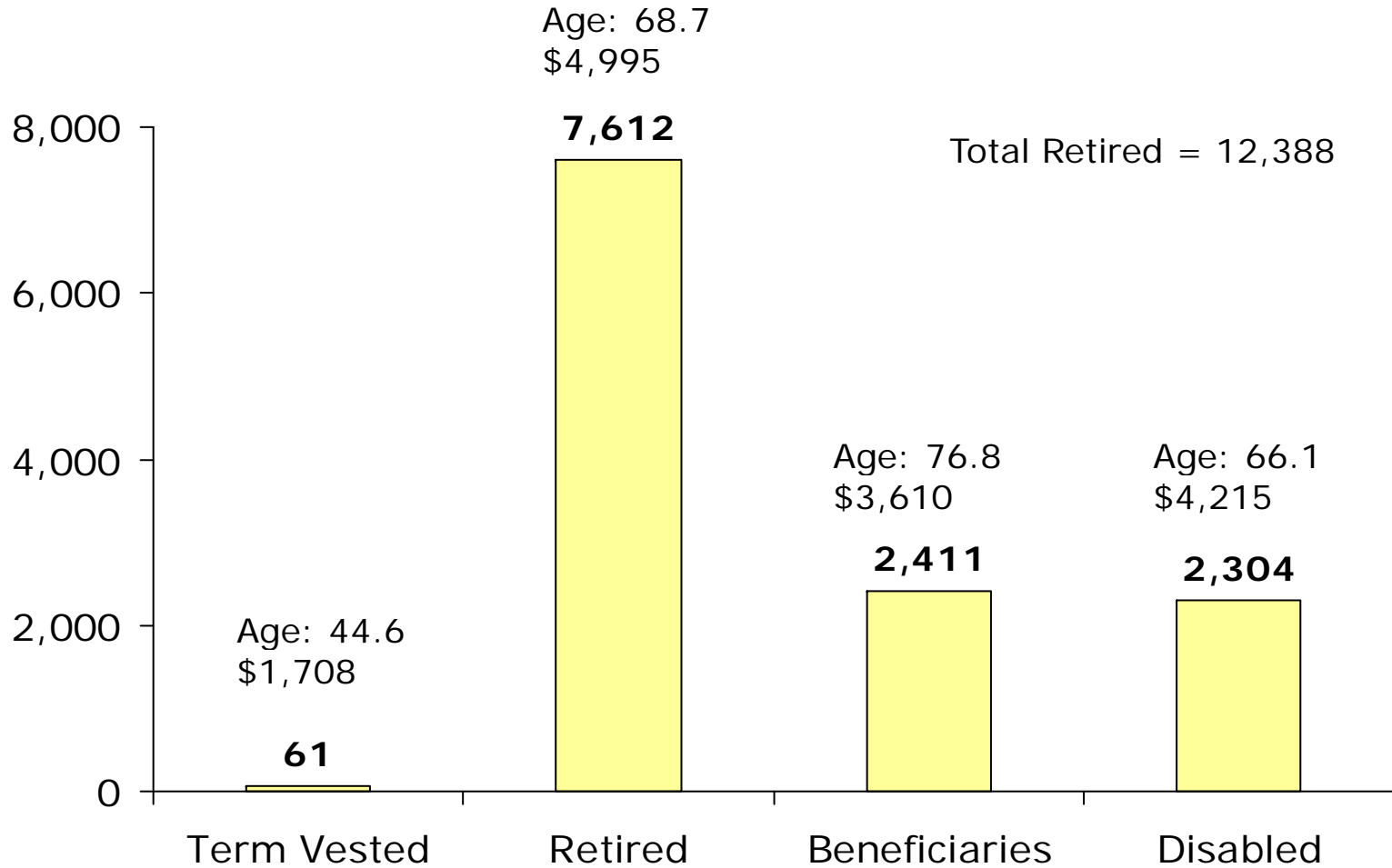
\*As of June 30, 2009 Actuarial Valuation





# Retired Member Demographics\*

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\*As of June 30, 2009 Actuarial Valuation





# What Benefits Do We Provide?





## Types of Benefits Paid

- Service Pensions
- Disability Pensions
  - Service and Non-Service Connected
- Survivor Pensions
  - Active Duty Death
  - Retired Member Death (Service or Disability)
    - Paid to Qualified Surviving Spouse/Domestic Partner and/or Children or Qualified Parents
- Refund of Contributions to Active Members

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# How Do We Measure Our Progress Serving Members and Funding Benefits ?





## Member Satisfaction Surveys

### *Customer Satisfaction Survey: August 2008*

- Surveyed Active and Retired members.
- Over 80% reported overall satisfaction with LAFPP.

### *Point of Service Surveys: Ongoing*

- As of 10/06/09: 4.996 rating out of 5
- Results through December 2009 will be reported to the Board in early 2010.

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## Annual Actuarial Valuations

- A financial check-up for a pension or retiree medical plan.
- Measures current costs and the contribution required to maintain appropriate benefit funding progress.
- Measures plan assets and liabilities in order to determine current funding progress.

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# How Do We Pay for the Benefits?





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## Cost of Benefits\*

Contributions		Benefits Paid	
City - Pensions	\$238,698	Pensions	\$762,205
City - Health	\$88,179	Health	\$77,502
Member	<u>\$103,685</u>	Refunds	<u>\$2,858</u>
Total	\$430,562	Total	\$842,565

Benefits paid do not include administrative expenses.

The shortfall must come from income generated from investment activities.

\*As of June 30, 2009 Auditors' report  
Amounts in thousands.





## Assets & Unfunded Liabilities as of June 30, 2009\*

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	PENSION	HEALTH
Market Value of Assets	\$10,379,786,414	\$596,582,321
Actuarial Value of Assets	\$14,256,610,416	\$809,676,978
Actuarial Accrued Liability	\$14,817,145,691	\$2,038,658,698
Unfunded Actuarial Accrued Liability (UAAL)	\$560,535,275	\$1,228,981,720
Funded Ratio – Actuarial	96.2%	39.7%
Funded Ratio – Market	70.1%	29.3%

\*From the June 30, 2009 Actuarial Valuation





## How is the Cost of Benefits Determined?

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- Present and future benefits are liabilities of the system.
- Liabilities are determined by our actuary through the annual valuation.
- Actuary conducts various studies in order to measure the Plan's liabilities.





### *Experience Study: 7/1/04 to 6/30/07*

- Reviews non-economic actuarial assumptions and methods over the prior three-year period.
- Changes to assumptions may be recommended to bring them in line with Plan's experience.

### *Valuation: 6/30/09*

- Each year actual experience is compared against the assumptions, and to the extent there are differences, the future contribution requirement is adjusted.

### *Economic Assumptions: Reviewed in 2006*

- Review of Price Inflation, Salary Increase and Investment Return assumptions.
- Next review scheduled with 2007-2010 experience study.





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Questions?

