



Pension Perspectives

1% INCREASED EMPLOYEE CONTRIBUTION—TIER 5

The mandatory employee pension contribution will increase from eight to nine percent for all Tier 5 members who have less than 33 years of service. This increase will be effective on July 1, 2006; however, since July 1st falls in the middle of the pay period, the deduction will begin with the payroll period ending July 22, 2006. Your pay check for pay period ending July 22 will reflect a 9% deduction for July 9 – July 22, and also include the additional 1% for July 1 through July 8, 2006. You should start to plan on making the necessary adjustments to your personal budget to allow for this increase.

Who is in Tier 5?

Sworn employees of the Fire and Police Departments hired on or after January 1, 2002, are members

of the Fire and Police Pension Plan—Tier 5. Members of Tiers 2, 3 and 4 who elected to transfer during the one-year transfer period from January 1, 2002 through December 31, 2002 are also members of Tier 5. Sworn employees of the Harbor Department are eligible to transfer to Tier 5 during the enrollment period from January 8, 2006 through January 5, 2007.

Why is the Tier 5 contribution increasing?

As Tier 5 members you contribute 8% of your salary each pay period as long as the plan is 100% actuarially funded. Since the plan went below 100%, you will pay 9%. When our funded status is at 100% or higher, the one-percent contribution increase for Tier 5 members will cease and you

will resume the eight percent contribution. It could take several years before the Fund passes the 100% fully funded mark.

The estimated City contribution for FY 2006-2007 is \$274.5 million. This is an increase of \$115 million from FY 2005-2006. As you can see, the City is also sharing the effects of falling below 100%.

The information in the following table has been provided for you as a comparison of the funding status of Los Angeles Fire & Police Pensions and other California public pension systems. If you have any questions, please call our Communications Section at (213) 978-4530.

FUND	2004 FUNDING STATUS	2005 FUNDING STATUS
Los Angeles Fire & Police Pensions	103.00%	94.10%
Los Angeles City Employees' Retirement System	82.50%	77.20%
Water & Power Employees' Retirement Plan	97.34%	93.61%
California Public Employees' Retirement System	87.30%	Not available
California State Teachers Retirement System	83.00%	Not available
San Francisco Employees' Retirement System	104.00%	Not available

DROP Update

The City Administrative Officer (CAO) and the Los Angeles Police Protective League (LAPPL), the United Firefighters of Los Angeles City (UFLAC), and the Los Angeles Port Police Association (LAPPA*) have reached a tentative agreement to extend DROP for five years for rank and file members. This would extend the DROP program through April 30, 2012. An actuary will evaluate DROP at the end of the first five-year period (April 30, 2007). If the actuary determines that DROP

is not cost neutral, the City and the unions will negotiate adjustments to the program. These adjustments would be effective on May 1, 2008. If the City and the unions cannot agree on necessary plan adjustments by March 1, 2008, the City will suspend new entrants into DROP until an agreement is reached.

If you have any questions, please call our DROP Section at (213) 978-4568.

**The LAPPA represents sworn members of the Harbor Department who have transferred to Tier 5.*

Keeping You Up To Date

Check out our website at www.lacity.org/pen for updates on DROP, status of the pension fund and other important information regarding your pension benefits. We will continually post the latest updates as they are made available.

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