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Board of Fire and Police Pension Commissioners
360 East Second Street, Suite 400
Los Angeles, CA 90012

**Re: FY 2008-2009 Retiree Health Plan Contribution
Three-Year Phase-in of City Contribution Rates**

Dear Members of the Board:

On December 7, 2006, the Board elected to phase in over three years the impact of new actuarial assumptions on the City's retiree health plan contribution commencing with the 2007-08 fiscal year. The recommended (i.e., pre-phase-in) contribution rates for Fiscal Year 2007-08 were contained in Segal's December 12, 2006 report entitled *Actuarial Valuation and Review of Other Postemployment Benefits (OPEB) as of June 30, 2006*. This letter provides the second year of the "phased-in" contribution rates for the 2008-09 fiscal year.

Phase-in Contribution Rates for 2008-09

The schedule on the following page shows the full impact, by Tier, of the adoption of the June 30, 2006 actuarial assumptions on the City's retiree health plan beginning-of-year contributions for fiscal year 2007-08 before the phase-in. This is the portion of the increase from the then current contribution rates that will be phased-in over three years. Depending on the tier, the impact is measured as a dollar amount or as a percentage of payroll, consistent with Page 10 of the June 30, 2006 actuarial report. The phased-in City contribution rates for 2008-09 (which only excludes one-third of the Impact of the New Actuarial Assumptions) are provided on the attached table.



<u>Tier:</u>	<u>Impact of New Actuarial Assumptions:</u>
Tier 1	\$219,643
Tier 2	0.76% of Total payroll
Tier 3	2.07% of Tier 3 payroll
Tier 4	1.92% of Tier 4 payroll
Tier 5	1.70% of Tier 5 payroll

(without Harbor Port Police [HPP])

Please let us know if you have any questions.

Sincerely,



Paul Angelo, FSA, EA, MAAA

RPT/bqb
Enclosure

2008-2009 Fiscal Year Contribution Requirements (Adjusted for Three Year Phase-in)

	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5 (W/O-HPP)	Tier 5 HPP
Normal cost	\$0	\$626,135	\$3,151,825	\$1,284,743	\$31,179,006	\$173,683
29-year amortization of the UAAL	<u>\$1,689,149</u>	<u>\$31,112,204</u>	<u>\$2,349,858</u>	<u>\$1,466,589</u>	<u>\$7,137,530</u>	<u>\$27,763</u>
Total annual required contribution, beginning of year	\$1,689,149	\$31,738,339	\$5,501,683	\$2,751,332	\$38,316,536	\$201,446
Percent of compensation	N/A	2.79%	6.10%	6.45%	3.93%	4.38%
Adjustment for timing (payable throughout the year)	<u>\$67,566</u>	<u>\$1,269,534</u>	<u>\$220,067</u>	<u>\$110,053</u>	<u>\$1,532,661</u>	<u>\$8,058</u>
Total annual required contribution	\$1,756,715	\$33,007,873	\$5,721,750	\$2,861,385	\$39,849,197	\$209,504
Percent of compensation	N/A	2.91%	6.34%	6.71%	4.09%	4.56%
Payroll	N/A	\$1,135,591,951	\$90,248,421	\$42,664,786	\$974,307,994	\$4,599,020

***Note:** The total rate for all tiers combined is: (1) 7.06% of payroll, if paid at the beginning of year, or (2) 7.34% of payroll, if paid throughout the year, or (3) 7.08% of payroll if paid on July 15, 2008.*