



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

February 27, 2013

Mr. William S. Raggio
Interim General Manager
Los Angeles Fire and Police Pension Plan
360 East Second Street, 6th Floor
Los Angeles, CA 90012

**Re: Los Angeles Fire and Police Pension Plan
FY 2013-2014 Retirement and Health Plan Contributions with Adjustments
to Reflect Three-Year Phase-in of Contribution Rates - REVISED**

Dear Bill:

This letter replaces the letter we previously sent to you dated November 8, 2012 in which we provided the retirement and health plan contribution rates for Fiscal Year 2013-2014, as adjusted for the three-year phase-in adopted by the Board. The attached contribution rates reflect a revision to the Tier 6 Normal Cost rates for the OPEB plan⁽¹⁾ as discussed in our letter dated January 31, 2013.

On September 1, 2011, the Board elected to phase in the impact of new actuarial assumptions adopted for the June 30, 2011 valuations on the City's retirement and health plan contributions over a three-year period, beginning with the Fiscal Year 2012-2013. The recommended (i.e., pre-phase-in) contribution rates for Fiscal Year 2013-2014 are contained in Segal's June 30, 2012 reports entitled *Actuarial Valuation and Review of Retirement Benefits and Actuarial Valuation and Review of Other Postemployment Benefits (OPEB)* and in the above letter dated January 31, 2013.

PHASE-IN CONTRIBUTION RATES FOR FISCAL YEAR 2013-2014

Table A below shows the full impact of the adopted actuarial assumptions on the retirement and health plan contributions for Fiscal Year 2012-2013 as determined in the June 30, 2011 valuations, assuming payment at the beginning of the year, on July 15, 2012, or at the end of each pay period. The increases in the contribution rates that would have to be phased-in over three years are as follows:

⁽¹⁾ *The net impact of that revision is an increase in the City's and the Harbor's contribution rate of 0.07% and 0.03% of payroll when calculated based on the total City and the Harbor payroll, respectively, assuming contributions will be made either at the beginning of the year or on July 15, 2013.*

Table A

Plan:	City Contribution Rate Impact of the New Actuarial Assumptions (percentage of payroll):		
	<u>Beginning of Year</u>	<u>15 - July</u>	<u>Biweekly</u>
Retirement	2.94%	2.95%	3.06%
Health	0.82%	0.82%	0.85%
Total	3.76%	3.77%	3.91%

The decreases in the contribution rates for the second year of the phase-in are simply one-third of the rates shown in Table A. The adjustments to the contribution rates as provided in the June 30, 2012 reports are as shown below in Table B:

Table B

Plan:	Second-Year Deferred Portion of the Impact of the New Actuarial Assumptions (percentage of payroll):		
	<u>Beginning of Year</u>	<u>15 - July</u>	<u>Biweekly</u>
Retirement	0.98%	0.98%	1.02%
Health	0.27%	0.27%	0.29%
Total	1.25%	1.25%	1.31%

The phased-in contribution rates for Fiscal Year 2013-2014 are provided in a table attached to this letter (Attachment 2). For your convenience, we have also attached a table with the contribution rates for Fiscal Year 2013-2014 before the phase-in (Attachment 1).

The rates in Attachment 2 (after the phase-in) are developed by taking the rates in Attachment 1 (before the phase-in) minus the rates in Table B.

IMPACT OF THREE-YEAR PHASE-IN ON FINANCIAL REPORTING

Both the retirement plan and health plan contribution rates recommended by Segal’s for Fiscal Year 2013-2014 satisfy the parameters required for determining the Annual Required Contribution (ARC) under Governmental Accounting Standards 25/27 and 43/45 for the 2013-2014 Fiscal Year, including the requirement that the Plan’s Unfunded Actuarial Accrued Liability be amortized over an equivalent single amortization period (ESAP) of no longer than 30 years. Those requirements are met before any phase-in, and reflect the full contribution rate impact of the new actuarial assumptions.

We have calculated that, for both the retirement and health plans, the ESAP is still shorter than 30 years even after the phase-in. This means that contributing the phase-in rates for Fiscal Year 2013-2014 will not result in the City recording a liability either for the pension plan (Net Pension Obligation or “NPO”) or for the health plan (Net OPEB Obligation or “NOO”).

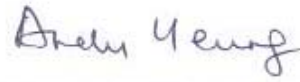
Mr. William S. Raggio
February 27, 2013
Page 3

If you have any questions, please let us know.

Sincerely,



Paul Angelo, FSA, MAAA, FCA, EA
Senior Vice President and Actuary



Andy Yeung, ASA, MAAA, FCA, EA
Vice President and Associate Actuary

AB/bqb
Enclosures

**Fiscal Year 2013-2014 Retirement and Health Plan Contributions
Before Reflecting Three-Year Phase-In of the
Impact of the New Actuarial Assumptions - REVISED**

Employer Contributions	Retirement Plan			OPEB Plan			Total		
	Beginning of Year	15-Jul	Biweekly	Beginning of Year	15-Jul	Biweekly	Beginning of Year	15-Jul	Biweekly
Tier 1									
1. Amortization of UAAL	\$16,566,492	\$16,618,096	\$17,196,466	\$1,879,185	\$1,885,039	\$1,950,645	\$18,445,677	\$18,503,135	\$19,147,111
Tier 2									
1. Employer Normal Cost	25.20%	25.28%	26.16%	3.45%	3.46%	3.58%	28.65%	28.74%	29.74%
2. Amortization of UAAL ⁽¹⁾	2.90%	2.91%	3.01%	3.64%	3.65%	3.78%	6.54%	6.56%	6.79%
Tier 3									
1. Employer Normal Cost	17.46%	17.51%	18.12%	4.16%	4.17%	4.32%	21.62%	21.68%	22.44%
2. Amortization of UAAL ⁽¹⁾	1.01%	1.01%	1.05%	0.29%	0.29%	0.30%	1.30%	1.30%	1.35%
Tier 4									
1. Employer Normal Cost	16.66%	16.71%	17.29%	3.72%	3.73%	3.86%	20.38%	20.44%	21.15%
2. Amortization of UAAL ⁽¹⁾	0.59%	0.59%	0.61%	0.21%	0.21%	0.22%	0.80%	0.80%	0.83%
Tier 5 (without Harbor Port Police)									
1. Employer Normal Cost	19.61%	19.67%	20.36%	3.81%	3.82%	3.95%	23.42%	23.49%	24.31%
2. Amortization of UAAL	<u>10.76%</u>	<u>10.79%</u>	<u>11.16%</u>	<u>3.03%</u>	<u>3.05%</u>	<u>3.15%</u>	<u>13.79%</u>	<u>13.84%</u>	<u>14.31%</u>
3. Total Recommended Contribution	30.37%	30.46%	31.52%	6.84%	6.87%	7.10%	37.21%	37.33%	38.62%
Tier 6 (without Harbor Port Police)									
1. Employer Normal Cost	15.53%	15.58%	16.12%	6.97%	6.99%	7.24%	22.50%	22.57%	23.36%
2. Amortization of UAAL	<u>10.76%</u>	<u>10.79%</u>	<u>11.17%</u>	<u>3.03%</u>	<u>3.04%</u>	<u>3.14%</u>	<u>13.79%</u>	<u>13.83%</u>	<u>14.31%</u>
3. Total Recommended Contribution	26.29%	26.37%	27.29%	10.00%	10.03%	10.38%	36.29%	36.40%	37.67%
All Tiers Combined (without Harbor Port Police)									
1. Employer Normal Cost	19.35%	19.41%	20.09%	3.87%	3.88%	4.02%	23.22%	23.29%	24.11%
2. Amortization of UAAL	<u>15.31%</u>	<u>15.36%</u>	<u>15.89%</u>	<u>6.97%</u>	<u>7.00%</u>	<u>7.24%</u>	<u>22.28%</u>	<u>22.36%</u>	<u>23.13%</u>
3. Total Recommended Contribution	34.66%	34.77%	35.98%	10.84%	10.88%	11.26%	45.50%	45.65%	47.24%
Harbor Port Police (Tier 5)									
1. Employer Normal Cost	20.26%	20.32%	21.03%	4.68%	4.69%	4.86%	24.94%	25.01%	25.89%
2. Amortization of UAAL	<u>8.39%</u>	<u>8.42%</u>	<u>8.71%</u>	<u>1.11%</u>	<u>1.12%</u>	<u>1.15%</u>	<u>9.50%</u>	<u>9.54%</u>	<u>9.86%</u>
3. Total Recommended Contribution	28.65%	28.74%	29.74%	5.79%	5.81%	6.01%	34.44%	34.55%	35.75%
Harbor Port Police (Tier 6)									
1. Employer Normal Cost	16.43%	16.48%	17.05%	5.10%	5.12%	5.29%	21.53%	21.60%	22.34%
2. Amortization of UAAL	<u>8.39%</u>	<u>8.42%</u>	<u>8.71%</u>	<u>1.11%</u>	<u>1.11%</u>	<u>1.15%</u>	<u>9.50%</u>	<u>9.53%</u>	<u>9.86%</u>
3. Total Recommended Contribution	24.82%	24.90%	25.76%	6.21%	6.23%	6.44%	31.03%	31.13%	32.20%
Harbor Port Police (Tiers 5 and 6)									
1. Employer Normal Cost	20.24%	20.30%	21.01%	4.69%	4.70%	4.87%	24.93%	25.00%	25.88%
2. Amortization of UAAL	<u>8.39%</u>	<u>8.42%</u>	<u>8.71%</u>	<u>1.11%</u>	<u>1.12%</u>	<u>1.15%</u>	<u>9.50%</u>	<u>9.54%</u>	<u>9.86%</u>
3. Total Recommended Contribution	28.63%	28.72%	29.72%	5.80%	5.82%	6.02%	34.43%	34.54%	35.74%
All Tiers Combined									
1. Employer Normal Cost	19.36%	19.42%	20.10%	3.88%	3.89%	4.03%	23.24%	23.31%	24.13%
2. Amortization of UAAL	<u>15.25%</u>	<u>15.30%</u>	<u>15.83%</u>	<u>6.92%</u>	<u>6.95%</u>	<u>7.19%</u>	<u>22.17%</u>	<u>22.25%</u>	<u>23.02%</u>
3. Total Recommended Contribution	34.61%	34.72%	35.93%	10.80%	10.84%	11.22%	45.41%	45.56%	47.15%

⁽¹⁾ UAAL rate is calculated using the City's total payroll of \$1,330,935,836.

**Fiscal Year 2013-2014 Retirement and Health Plan Contributions
After Reflecting Three-Year Phase-In of the
Impact of the New Actuarial Assumptions - REVISED**

Employer Contributions	Retirement Plan			OPEB Plan			Total		
	Beginning of Year	15-Jul	Biweekly	Beginning of Year	15-Jul	Biweekly	Beginning of Year	15-Jul	Biweekly
Tier 1									
1. Amortization of UAAL	\$16,193,729	\$16,244,172	\$16,809,528	\$1,822,804	\$1,828,482	\$1,892,120	\$18,016,533	\$18,072,654	\$18,701,648
Tier 2									
1. Employer Normal Cost	25.20%	25.28%	26.16%	3.45%	3.46%	3.58%	28.65%	28.74%	29.74%
2. Amortization of UAAL ⁽¹⁾	2.42%	2.43%	2.51%	3.54%	3.55%	3.67%	5.96%	5.98%	6.18%
Tier 3									
1. Employer Normal Cost	17.46%	17.51%	18.12%	4.16%	4.17%	4.32%	21.62%	21.68%	22.44%
2. Amortization of UAAL ⁽¹⁾	0.97%	0.97%	1.01%	0.28%	0.28%	0.29%	1.25%	1.25%	1.30%
Tier 4									
1. Employer Normal Cost	16.66%	16.71%	17.29%	3.72%	3.73%	3.86%	20.38%	20.44%	21.15%
2. Amortization of UAAL ⁽¹⁾	0.57%	0.57%	0.59%	0.20%	0.20%	0.21%	0.77%	0.77%	0.80%
Tier 5 (without Harbor Port Police)									
1. Employer Normal Cost	19.61%	19.67%	20.36%	3.81%	3.82%	3.95%	23.42%	23.49%	24.31%
2. Amortization of UAAL	<u>10.30%</u>	<u>10.33%</u>	<u>10.69%</u>	<u>2.86%</u>	<u>2.87%</u>	<u>2.97%</u>	<u>13.16%</u>	<u>13.20%</u>	<u>13.66%</u>
3. Total Recommended Contribution	29.91%	30.00%	31.05%	6.67%	6.69%	6.92%	36.58%	36.69%	37.97%
Tier 6 (without Harbor Port Police)									
1. Employer Normal Cost	15.53%	15.58%	16.12%	6.97%	6.99%	7.24%	22.50%	22.57%	23.36%
2. Amortization of UAAL ⁽²⁾	<u>10.18%</u>	<u>10.21%</u>	<u>10.57%</u>	<u>2.69%</u>	<u>2.70%</u>	<u>2.79%</u>	<u>12.87%</u>	<u>12.91%</u>	<u>13.36%</u>
3. Total Recommended Contribution	25.71%	25.79%	26.69%	9.66%	9.69%	10.03%	35.37%	35.48%	36.72%
All Tiers Combined (without Harbor Port Police)									
1. Employer Normal Cost	19.35%	19.41%	20.09%	3.87%	3.88%	4.02%	23.22%	23.29%	24.11%
2. Amortization of UAAL	<u>14.33%</u>	<u>14.38%</u>	<u>14.87%</u>	<u>6.70%</u>	<u>6.73%</u>	<u>6.95%</u>	<u>21.03%</u>	<u>21.11%</u>	<u>21.82%</u>
3. Total Recommended Contribution	33.68%	33.79%	34.96%	10.57%	10.61%	10.97%	44.25%	44.40%	45.93%
Harbor Port Police (Tier 5)									
1. Employer Normal Cost	20.26%	20.32%	21.03%	4.68%	4.69%	4.86%	24.94%	25.01%	25.89%
2. Amortization of UAAL	<u>7.88%</u>	<u>7.91%</u>	<u>8.18%</u>	<u>0.95%</u>	<u>0.96%</u>	<u>0.98%</u>	<u>8.83%</u>	<u>8.87%</u>	<u>9.16%</u>
3. Total Recommended Contribution	28.14%	28.23%	29.21%	5.63%	5.65%	5.84%	33.77%	33.88%	35.05%
Harbor Port Police (Tier 6)									
1. Employer Normal Cost	16.43%	16.48%	17.05%	5.10%	5.12%	5.29%	21.53%	21.60%	22.34%
2. Amortization of UAAL ⁽²⁾	<u>8.06%</u>	<u>8.09%</u>	<u>8.37%</u>	<u>0.78%</u>	<u>0.79%</u>	<u>0.81%</u>	<u>8.84%</u>	<u>8.88%</u>	<u>9.18%</u>
3. Total Recommended Contribution	24.49%	24.57%	25.42%	5.88%	5.91%	6.10%	30.37%	30.48%	31.52%
Harbor Port Police (Tiers 5 and 6)									
1. Employer Normal Cost	20.24%	20.30%	21.01%	4.69%	4.70%	4.87%	24.93%	25.00%	25.88%
2. Amortization of UAAL	<u>7.88%</u>	<u>7.91%</u>	<u>8.18%</u>	<u>0.95%</u>	<u>0.96%</u>	<u>0.98%</u>	<u>8.83%</u>	<u>8.87%</u>	<u>9.16%</u>
3. Total Recommended Contribution	28.12%	28.21%	29.19%	5.64%	5.66%	5.85%	33.76%	33.87%	35.04%
All Tiers Combined									
1. Employer Normal Cost	19.36%	19.42%	20.10%	3.88%	3.89%	4.03%	23.24%	23.31%	24.13%
2. Amortization of UAAL	<u>14.27%</u>	<u>14.32%</u>	<u>14.81%</u>	<u>6.65%</u>	<u>6.68%</u>	<u>6.90%</u>	<u>20.92%</u>	<u>21.00%</u>	<u>21.71%</u>
3. Total Recommended Contribution	33.63%	33.74%	34.91%	10.53%	10.57%	10.93%	44.16%	44.31%	45.84%

⁽¹⁾ UAAL rate is calculated using the City's total payroll of \$1,330,935,836.

⁽²⁾ Tier 6 UAAL amortization rates will be the same as corresponding Tier 5 UAAL amortization rates at the end of the phase-in period.