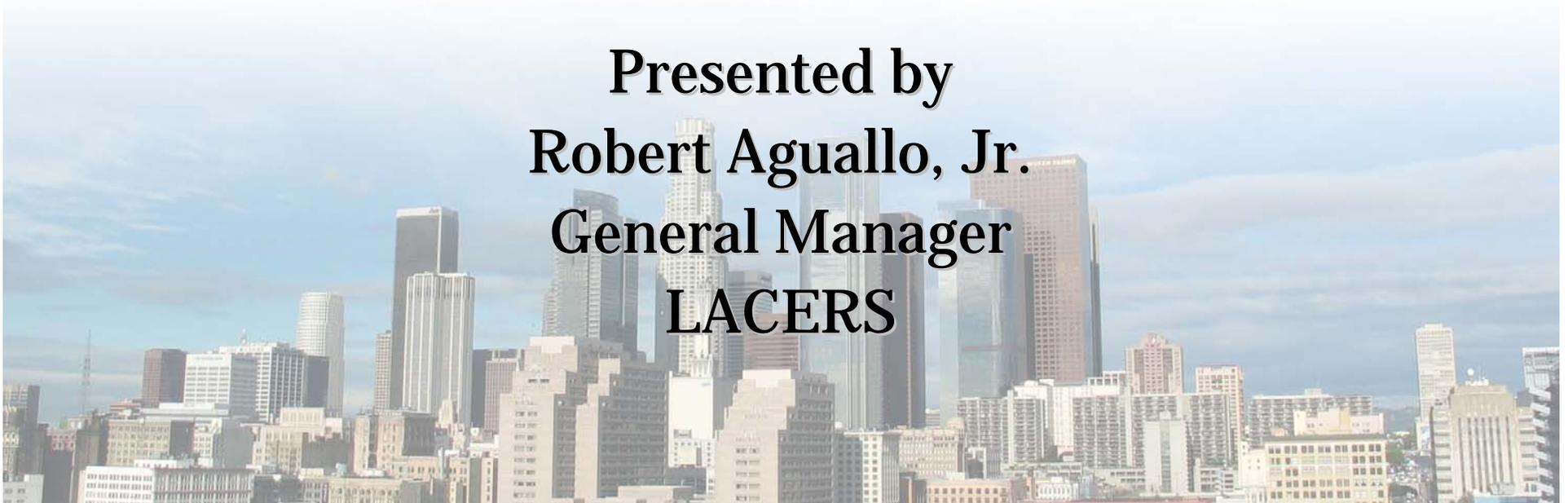




“How LACERS Is Responding to Growing Healthcare Costs”

**Public Employee Post-Employment
Benefits Commission
May 31, 2007**

**Presented by
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General Manager
LACERS**





LACERS Programs

LACERS is responsible for three major programs:

- Retirement allowances/continuances: 15,000 retirees & beneficiaries and **\$525 million** annual retirement payroll; 27,000 active members
- Health benefits: approx. **\$62 million** in annual subsidies for 15,000 retirees, beneficiaries, & dependents
- Investments: **\$11 billion in assets**



LACERS Retiree Health Benefits

LACERS administers the following health plans for retirees and their beneficiaries:

- **Medical Plans**

- Kaiser (HMO & Senior Advantage)
- Blue Cross (HMO, PPO, & Medicare Supplement)
- Secure Horizons (HMO)
- Senior Care Action Network (HMO)

- **Medical Premium Reimbursement Program**

- For those residing out of California or outside authorized zip codes service areas within California



LACERS Retiree Health Benefits

LACERS health plans (continued)

- **Dental Plans**

- Safeguard (HMO)
- Wellpoint/Blue Cross (PPO)
- SCAN Dental (SCAN members only)



LACERS Retiree Health Benefits

Health subsidy benefits for LACERS retirees:

- 10 years of City Service required to receive health subsidy
- Subsidy percentage – 4% per year of Service
- Maximum monthly subsidy:
 - \$983.00 – Members (Actual average: \$471.85)
 - \$492.36 – Surviving Spouses/Domestic Partners (Actual average: \$257.13)



Costs – How LACERS Is Responding?

Funding of health subsidy benefits:

- Unlike most pension funds, LACERS pre-funds post-employment health benefits
- Started pre-funding in 1987-88 for employees with 10+ years of City Service
- New funding policy – October 2005
 - Pre-fund the health subsidy benefits of all active employees, regardless of years of City Service



Costs – How LACERS Is Responding?

Funding of health subsidy benefits (continued):

- **New funding policy – October 2005 (cont.)**
 - Increased total actuarial accrued liability by \$132m
 - Increased the City's contribution rate by 1.12%
- **As of June 30, 2006, 57.2% funded**
 - Based on actuarial value of assets
- **City has been praised by bond rating agencies for pre-funding retiree health benefits**



Costs – How LACERS Is Responding?

- **Healthcare Funds Invested as Part of Total Pension Funds**
 - Reduced risk through diversification
 - Reduced transaction costs and fees
 - Superior investment returns



Costs – How LACERS Is Responding?

Healthcare Rates:

- Negotiate the best possible rates
 - Go out to RFP approximately every 3 years
- Occasional adjustments to plan design (co-pays, deductibles, etc.)

Healthcare Subsidy Caps:

- 3-year rolling caps in *City Administrative Code*



Funded Ratios as of June 30, 2006

- **Based On Actuarial Value Of Assets:**
 - Retirement Benefits 77.8%
 - Health Subsidy Benefits 57.2%
 - Total 74.7%
- **Based On Market Value Of Assets:**
 - Retirement Benefits 83.1%
 - Health Subsidy Benefits 61.2%
 - Total 79.8%



Questions?

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