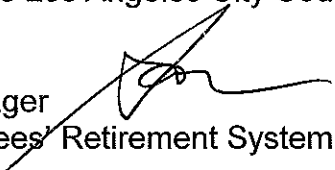


INTER-DEPARTMENTAL CORRESPONDENCE

DATE: February 3, 2010

TO: Honorable Members of the Los Angeles City Council

FROM: Sally Choi, General Manager
Los Angeles City Employees' Retirement System 

SUBJECT: STATUS OF IMPLEMENTATION OF THE EARLY RETIREMENT INCENTIVE PROGRAM (ERIP)

LACERS was asked to provide an update on the status of ERIP processing; the use of additional staff/equipment resources at LACERS to ensure ERIP processing; and whether any additional resources would be helpful to further expedite processing.

STATUS OF ERIP RETIREMENT PROCESSING

As of February 13, 2010, a total of 1,197 individuals will retire under ERIP. We remain on-target to meet our commitment to retire 350 applicants per month to meet the goal of moving 2,400 employees from the active payroll to retirement.

For maximum General Fund relief, LACERS is focusing on moving General Funded positions out first (an estimated total of 1,172 positions or 49%). Almost all General Funded positions approved for ERIP will be retired no later than March, with a small number finalized in April. Employees in non-General Fund positions predominately will be retired in April, May, and June.

Month	Total Actual Retired/ <i>Estimated To Retire</i>	Total General Fund	Total Other Funding ¹	Significant items of note this month
Retirements prior to November 2 ("Grandfathered")	418	237	181	ERIP Application window opens November 2
December	52		52	ERIP window closes December 16. LACERS can begin certifying applicants
January	363	212	151	Target Exceeded
February	364	263	101	Target Exceeded
March	365	345	20	
April-May-June	838	115	723	Remaining General Fund positions will retire in April
Total	2,400	1,172 (49%)	1,228 (51%)	

¹Other funding: proprietary, special, combination, grant, or not designated. Information on funding sources provided by CAO based on information provided by departments.

CURRENT RESOURCES FOR PROCESSING

To meet the approximate five-fold increase in normal retirement processing workload during this fiscal year and eight-fold increase from January through June, LACERS has increased its capacity in the following ways:

- 1) Vacation restrictions on all staff
- 2) 2,600 hours of overtime as of 1/31/10
- 3) 11,883 hours of additional as-needed staffing
- 4) Four full-time former LACERS staff members on loan from other departments

A total of \$499,765 has been expended in ERIP-related salaries, equipment and other costs, against an approved budget of \$1,754,895 for ERIP.

In a typical year, LACERS processes an average of 500 retirements. With ERIP, LACERS will process more than 2,400 retirements this year. LACERS staff is working diligently to meet the needs of its members while at the same time accomplishing the needs of the City. However, retirement processing is not a fully automated process. It requires three major steps:

1. Counseling of Members

LACERS has a fiduciary responsibility to fully and accurately counsel members about retirement options. The members' decisions based on the counseling are life-long decisions which will determine how benefits are distributed – Will they take a lifetime annuity or one-time payment? Will they roll their deferred compensation dollars into their lifetime annuity? Upon their death, what benefit amounts do they want to leave to their beneficiary? Have they paid off their service purchases? The individual counseling has been replaced by group counseling sessions, an average of four per month to accommodate an average of 120 applicants and significant others per session. LACERS has maximized retirement throughput by initiating group retirement counseling. Prior to the ERIP, all members were counseled individually.

2. Calculation and Set-up of Retirement Allowances

The calculation of retirement allowances is partly automated and partly manual. Among other calculations and checks that must be performed, LACERS must calculate/confirm each employee's final compensation, retirement contributions, and City Service Credit. Also, special factors such as part-time service, reciprocity with other pension systems, government service buybacks for leaves of absences, changes in Memoranda Of Understandings -- all impact the amount of the employee's retirement benefit. LACERS has maximized its calculation throughput with the data integrity project it implemented pursuant to its strategic plan long before the ERIP was adopted. LACERS is developing systems to allow for batch processing of calculations and benefit set-ups. Currently, monthly

benefit payments must be manually set-up for each member. LACERS has maximized its throughput in this area by training additional employees to perform benefit set-ups.

3. Enrollment in Retiree Health Plans (Medical, Dental, Vision)

Retirees must select and enroll in their choice of available health plans. These options differ from the plans offered through City Personnel and require careful consideration by each member. Enrollment can be for the member only, or with their spouse/domestic partner or dependents.

In addition to ERIP retirements, LACERS continues to process service retirements that do not qualify under ERIP, disability retirements, and survivor benefits.

EXPEDITED PROCESSING

Accelerating the process will produce no additional savings to the General Fund in this fiscal year as we already have, in collaboration with the CAO, prioritized retirements for employees in General Fund positions. Additional General Fund savings can be achieved under two scenarios: 1) expand ERIP to allow for retirements of additional General Funded positions and/or 2) shift General Funded employees into Special Funded positions vacated through retirements or other attrition. LACERS added staff and modified procedures at the beginning of the ERIP processing to ensure that retirement throughput was maximized. Therefore any additional resources would not be helpful in accomplishing more retirements per month as the law of diminishing returns would significantly impact LACERS' ability to retire more employees than it already is retiring.

SC:TM:lmg
2010-0203-009

Attachment: Graph of Targeted and Actual Service Retirements

cc: Miguel Santana, City Administrative Officer

TARGETED AND ACTUAL SERVICE RETIREMENTS

