

CITY OF LOS ANGELES

EARLY RETIREMENT INCENTIVE PROGRAM (ERIP)

FREQUENTLY ASKED QUESTIONS

1. What is the total number of ERIP participants?

There are 2,400 ERIP participants.

2. What is the ERIP Cost Obligation?

The ERIP Cost Obligation is the full cost of ERIP as defined in the Los Angeles Administrative Code section 4.1033 (“ERIP Ordinance”). The [ERIP Ordinance](#) states that the ERIP Cost Obligation is the obligation of LACERS Members, and that the City and Unions envisioned ERIP to be cost-neutral to the City.

3. How was the ERIP Cost Obligation determined?

The preliminary ERIP Cost Obligation was determined by an enrolled actuary engaged by the City, pursuant to requirements of the Los Angeles City Charter section 1168 (b), which specifies that the City Council must be advised in writing of the cost of benefit increases prior to adoption of an ordinance to change the LACERS benefit(s).

The City’s Consulting Actuary provided cost estimates of ERIP based on various scenarios projecting “take” rates of eligible employees. Preliminary projected costs ranged from \$250 million to retire 2,229 employees, up to \$354 million to retire 2,763. The ERIP Ordinance adopted a preliminary cost of \$271M to retire 2,400 employees.

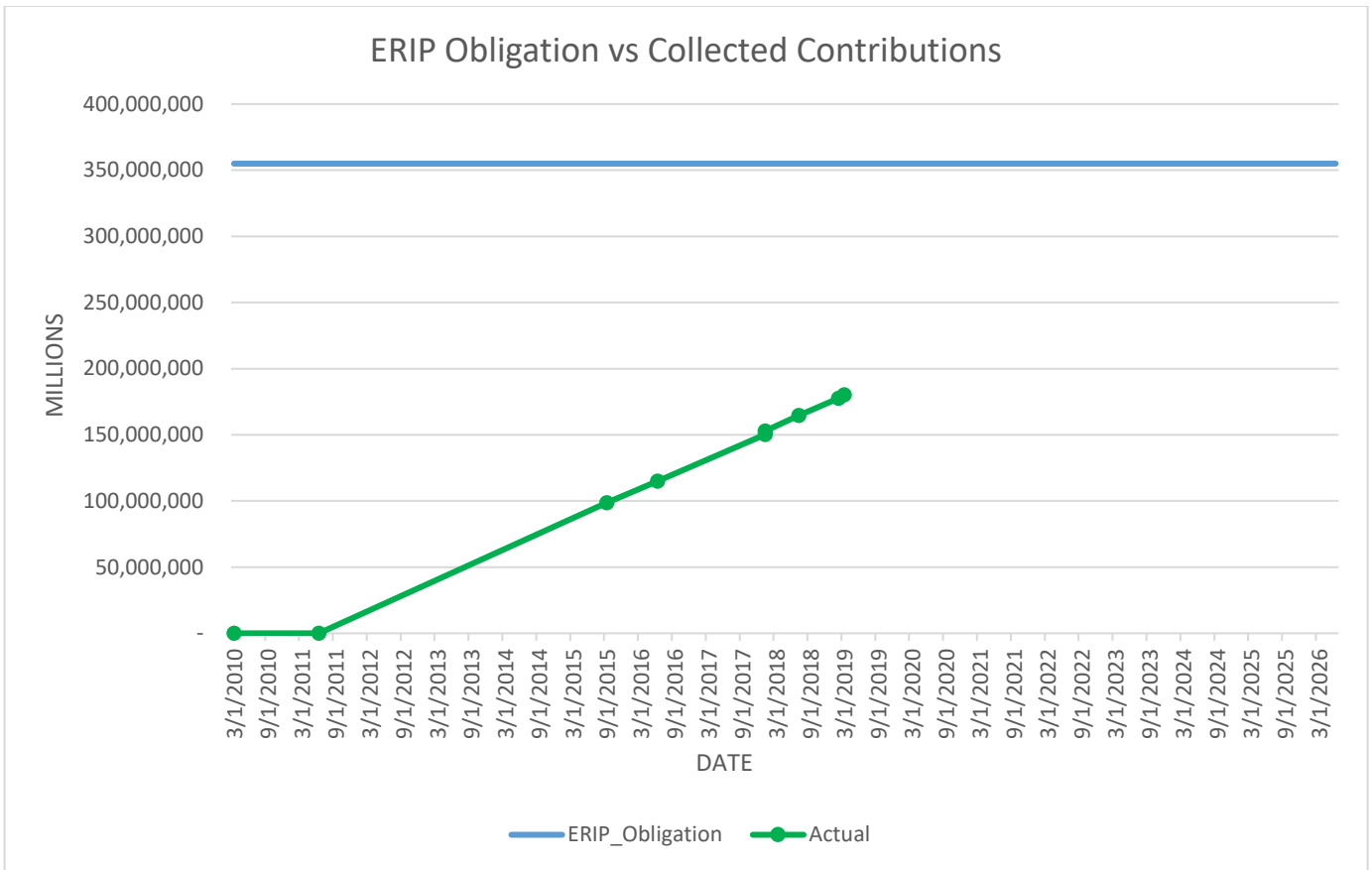
However, based on the LACERS actuarial valuation report of June 30, 2009 (revised April 22, 2010), the unfunded actuarial accrued liability increased by \$355 million when factoring in nearly all the ERIP retirees (2,393 of the 2,400 ERIP retirees were finalized at the time of the report).

4. What is the time period by which the ERIP Cost Obligation should be paid?

According to the ERIP Ordinance, the employee contributions toward the ERIP Cost Obligation begin on July 1, 2011 and end on June 30, 2026 (a 15-year period), or until the ERIP Cost Obligation is fully paid, whichever comes first. Please see the [link for the Los Angeles Administrative Code \(LAAC\) Division 4, Chapter 10, Article 1, Section 4.1033](#).

5. How much money to date, has been paid by LACERS’ Active and Retired Members towards paying off the ERIP Cost Obligation?

As of March 31, 2019, \$180 million has been paid toward the \$355 million ERIP Cost Obligation. The pace of contributions toward ERIP are expected to decline slightly as the number of active Tier 1 Members retire. New LACERS Members joining the City, currently enter under Tier 3 Membership and do not contribute to ERIP.



6. **REFERENCE MATERIALS** – The ERIP Ordinance and Actuarial Reports can be found through the following links:

[ERIP Ordinance – City Council File](#)

[Board Report from August 3, 2009 Meeting – includes Segal’s Actuarial Report dated July 30, 2009](#)

[Board Report from April 27, 2010 - Revised Actuarial Valuation of June 30, 2009](#)