

ORDINANCE NO. _____

An ordinance amending Chapter 11.5 of Division 4 of the Los Angeles Administrative Code to establish the Los Angeles Fire and Police Pensions Retiree Health Care Fund and to authorize the use of the Health Care Fund to pay for retiree health and welfare programs.

**THE PEOPLE OF THE CITY OF LOS ANGELES
DO ORDAIN AS FOLLOWS:**

Section 1. A new Section 4.1150.1 is added to Chapter 11.5 of Division 4 of the Los Angeles Administrative Code to read as follows:

Sec. 4.1150.1. Los Angeles Fire and Police Pensions Retiree Health Care Fund.

(a) The Los Angeles Fire and Police Pensions Retiree Health Care Fund (the "LAFPP Health Care Fund") is established for the sole purpose of funding the retiree health care benefits provided to eligible retirees, their eligible dependents, and their qualified survivors, of the Los Angeles Fire and Police Pension plan pursuant to the programs established by Chapter 11.5 of Division 4 of the Los Angeles Administrative Code, and is intended to qualify for exemption from federal income tax under Section 115(1) of the Internal Revenue Code. Except as provided in Subsection (d), funds in the LAFPP Health Care Fund may not be used, directly or indirectly, to pay the cost of any other benefits provided by, or expenses or obligations incurred by, the Los Angeles Fire and Police Pension plan (the "Plan").

(b) The LAFPP Health Care Fund shall provide an alternative funding mechanism, in addition to or in lieu of the 401(h) account described in Section 4.1150, for funding benefits under the Health Care Plan described in that section. Effective July 1, 2022, on a prospective basis, the City shall provide for an annual contribution of funds from appropriations and other sources to the LAFPP Health Care Fund, in the amount determined each year by the Board of Fire and Police Pension Commissioners (the "Board") based upon the recommendation of the Plan's actuary. Such contributions shall be in lieu of contributions to the 401(h) account described in Section 4.1150.

(c) The City and the Board shall enter into a written trust agreement for the LAFPP Health Care Fund (the "Trust Agreement") on or before July 1, 2022. The Trust Agreement shall provide that the Board shall serve as the trustee of the LAFPP Health Care Fund. The Trust Agreement shall establish the respective roles and responsibilities of the Board and the City with respect to the administration and investment of the LAFPP Health Care Fund, consistent with Charter Section 1106 and Section 17 of Article XVI of the California Constitution. The Trust Agreement may include, but is not limited to, funding, distribution, expenditure, actuarial, accounting, and reporting considerations. The Board shall have sole control over the investment activity of the LAFPP Health Care Fund, as provided in Subsection (d).

(d) Consistent with Charter Section 1106 and Section 17 of Article XVI of the California Constitution, the Board shall have sole, exclusive, and plenary authority, and shall have fiduciary responsibility, over the funds in the LAFPP Health Care Fund, including the investment of such funds. The Board may commingle and/or co-invest all or any portion of the funds in the LAFPP Health Care Fund with those in the Service Pension Funds and General Pension Funds of the Los Angeles Fire and Police Pension plan (the "Pension Funds"), to the extent allowed by federal tax laws, including through a group trust under Revenue Rulings 81-100 and 2011-1. The investment earnings and investment expenses attributable to the investment activity of the LAFPP Health Care Fund shall be accounted for separately from the investment earnings and expenses of the Pension Funds. The funds in and investment earnings of the LAFPP Health Care Fund shall be used to pay the reasonable costs related to investment expenses and administration of the LAFPP Health Care Fund and the Health Care Plan to the extent allowed by federal tax laws. Those expenses shall not be deemed to be an investment or administrative expense of the Los Angeles Fire and Police Pension plan or the Pension Funds.

(e) Any amendment to the Trust Agreement shall require approval by a majority vote of all members of the Board and two of the affirmative votes must be cast by elected employee members of the Board.

(f) In accordance with the procedures established in the written Trust Agreement described in Subsection (c), the Board may elect to terminate the LAFPP Health Care Fund. If the Board so elects, the Board shall disburse the funds in the LAFPP Health Care Fund in the following order and manner:

(1) The Board shall retain an amount sufficient to fund and pay for, as applicable, all retiree health care benefits owed to eligible retired members and beneficiaries under the programs established by Chapter 11.5 of Division 4 of the Los Angeles Administrative Code.

(2) The Board shall retain an amount sufficient to pay reasonable administrative and investment costs described in this Section 4.1150.1.

(3) After the amounts in Subdivisions (1) and (2) have been retained or disbursed, the Board shall transfer any remaining funds to the general fund.

(g) The Board may establish rules and procedures governing the investments and administration of the LAFPP Health Care Fund.

(h) The Board is authorized to take any and all actions necessary to establish, administer, and maintain the LAFPP Health Care Fund in compliance with applicable federal tax laws or other legal requirements, including, but not limited to, Section 115 of the Internal Revenue Code.

(i) The Board shall have the authority to adopt any rules it deems necessary to carry out its role as trustee of the LAFPP Health Care Fund.

(j) The Trust Agreement entered into between the City and the Board, as described in Subsection (c), shall not change the obligations of the City or the Board created under other contracts, laws, ordinances, regulations, or similar actions to provide benefits for employees or retired employees of the City, or their eligible beneficiaries.

Sec. 2. Section 4.1151 of the Los Angeles Administrative Code is amended in its entirety to read as follows.

Sec. 4.1151. Purpose of the Program.

It is the purpose of this Chapter to provide a program whereby retired members or beneficiaries, if eligible, pursuant to the terms and conditions hereinafter set forth in this Chapter, shall have subsidy payments made on their behalf for such benefit program or programs specified in Sections 1330, 1428, 1518, 1618, or 1718 of the Charter or Section 4.2018 of the Administrative Code as may be authorized by the Council by ordinance, subject to such conditions of entitlement as may be set forth in such ordinance in accordance with the provisions and limitations of Sections 1330, 1428, 1518, 1618, or 1718 of the Charter or Section 4.2018 of the Administrative Code.

The cost of the subsidies provided in this Chapter and the Board's administrative costs connected therewith shall be provided from the Health Care Coverage Account established in Section 4.1150 of this Chapter and/or the LAFPP Health Care Fund established in Section 4.1150.1 of this Chapter. Notwithstanding all of the foregoing, the cost of the subsidies provided in this Chapter, including all administrative costs, shall be paid first from the Health Care Coverage Account, until it is depleted. Upon depletion of the Health Care Coverage Account, the LAFPP Health Care Fund shall fund the cost of the subsidies provided in this Chapter, including all administrative costs. The Board shall establish the policies and/or procedures necessary to implement this section.

Sec. 3. The City Clerk shall certify to the passage of this ordinance and have it published in accordance with Council policy, either in a daily newspaper circulated in the City of Los Angeles or by posting for ten days in three public places in the City of Los Angeles: one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall; one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall East; and one copy on the bulletin board located at the Temple Street entrance to the Los Angeles County Hall of Records.

Approved as to Form and Legality

MICHAEL N. FEUER, City Attorney

By  _____
ANYA FREEDMAN
Assistant City Attorney

Date 6 / 8 / 21

File No. 21-0914

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The Clerk of the City of Los Angeles hereby certifies that the foregoing ordinance was passed by the Council of the City of Los Angeles.

CITY CLERK

MAYOR

Ordinance Passed _____

Approved _____