

**DEPARTMENT OF
FIRE AND POLICE
PENSIONS**

701 E. 3RD STREET
SUITE 200
LOS ANGELES, CA 90013

(213) 279-3000 (Main Line)
(844) 88-LAFPP (52377) - TOLL FREE
FAX (213) 628-7716
TDD (213) 628-7713

EMAIL: PENSIONS@LAFPP.COM

CITY OF LOS ANGELES

CALIFORNIA



KAREN BASS
MAYOR

JOSEPH SALAZAR
GENERAL MANAGER

GREGORY MACK
MYO THEDAR
ASSISTANT GENERAL MANAGERS

BRYAN A. FUJITA
CHIEF INVESTMENT OFFICER

August 31, 2023

The Honorable City Council
City of Los Angeles
c/o City Clerk
Room 395, City Hall
200 North Spring Street
Los Angeles, CA 90012

Honorable Members:

Subject: **Re-Appropriation – Excess Benefit Plan**

RECOMMENDATION

That the Council:

1. Approve the reappropriation of \$1,366,044.31 from the unencumbered balance within the Excess Benefit Fund No. 918/64, Account No. 649700, Fire and Police Excess Benefit, in the same amount and into the same account to fund 2023-24 excess benefit payments; and,
2. Authorize LAFPP to make technical corrections, as necessary, to implement the intent of these transactions, and authorize the Controller to implement these instructions.

SUMMARY/BACKGROUND

The Los Angeles Fire and Police Pensions (LAFPP) requests to reappropriate \$1,366,044.31 in prior year unexpended excess benefit funds to the current fiscal year. The Excess Benefit Plan is a General Fund obligation that supplements the benefits of certain retired members of the Fire and Police Pension Plan. The benefits paid by the Excess Benefit Fund represent the difference between the actual benefits owed to the member and the limitations on benefits paid by the Fire and Police Pensions System pursuant to Section 415(b) of the Internal Revenue Code. The City generally transmits the annual excess benefit payment to the LAFPP as part of the City contribution on or before July 15. However, since the excess benefit is set by the Internal Revenue Service (IRS)



on a calendar year basis, from time to time the amount paid by the City may be over or under the IRS limit and prior year funds are used to provide supplemental funding. The amount requested for reappropriation equals the residual sum from the 2022-23 fiscal year. Based on the current projection of excess benefit payments, the reappropriation is needed by October 2023.

Effective January 1, 2023, the limitation of the annual benefit under Section 415(b) of the Internal Revenue Code was increased from \$245,000 to \$265,000. This new limit resulted in larger savings and unexpended balance of \$1,366,044.31 in the plan. A larger portion of current year payments would utilize the savings from the previous year, and therefore reappropriation is needed sooner than usual. The request of reappropriation in the First Financial Status Report will not provide the needed appropriation in time to meet the payment obligations. Going forward, the reappropriation request will be included in the Year-End Financial Status Report to facilitate an earlier reappropriation.

FISCAL IMPACT STATEMENT

There is no associated General Fund impact as this report recommends administrative actions and the Excess Benefit Plan payments will be utilizing the savings from 2022-23.

FINANCIAL POLICIES STATEMENT

The actions recommended in this report comply with the City's Financial Policies.

Please contact Michelle Chan at (213) 279-3041 should you have any questions.

Sincerely,

A handwritten signature in blue ink, appearing to read 'J. Salazar', is positioned above the printed name.

Joseph Salazar
General Manager

JS:MTS:JMS:MC

cc: Janelle Irving, Office of the City Administrative Officer, Senior Administrative Analyst II