

Media Workshop: Pension Reform

September 18, 2017

Pension Reform : Solutions

- General Fund budget reform
- Plan type reform
- Benefit reductions
- Investment strategy with emphasis on risk management
- Improvements in operations and governance
- Enhanced transparency

Pension Reform

General Fund Budget Reform

- Raise taxes
- Increase General Fund revenue

Plan Type Reform

- Establish a hybrid system (i.e., a combined DB, DC plan)
- Increase contributions from both employer and employees

Benefit Reductions

- Reduce or defer the annual fixed COLA
- Raise the age of retirement
- Reduce or change benefit formulas
- Reduce final average salary
- Eliminate items that add to pensionable payroll
- Set a maximum annual benefit level

City of Los Angeles		Percent of Total General Fund Expenditures			
General Fund Category	2006	2011	2015	2016	
Pension Costs	8.9%	13.8%	15.9%	15.7%	
Non-Departmental	40.2%	45.7%	46.4%	46.9%	
Budgetary Departments	55.7%	49.6%	48.4%	47.8%	
Other Departmental	4.1%	4.6%	5.2%	5.3%	
Total	100.0%	100.0%	100.0%	100.0%	

Sources: Los Angeles City Controller, City Budget Expenditures and City of Los Angeles Budget Summary.

Pension Reform

Investments

- Change asset allocation
- Unwind assets with high fees
- Focus on risk management

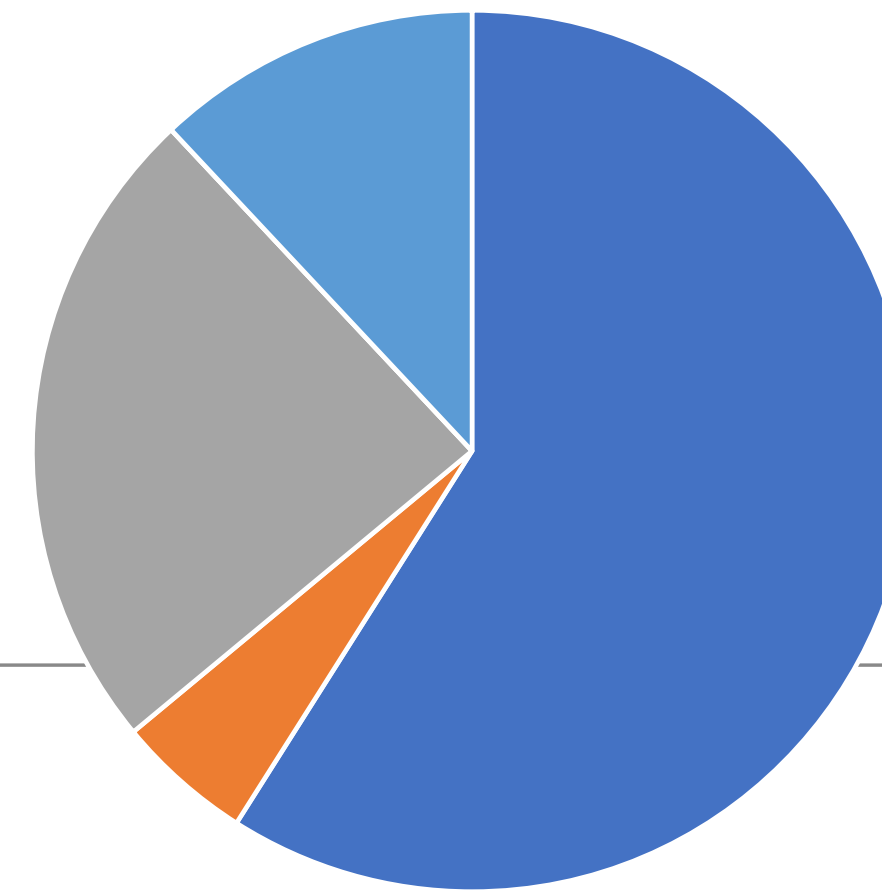
Operations and governance

- Shrink the size of workforce or invoke hiring freeze
- Contract work
- Streamline operations
- Lower new-hire salary
- More salary reductions

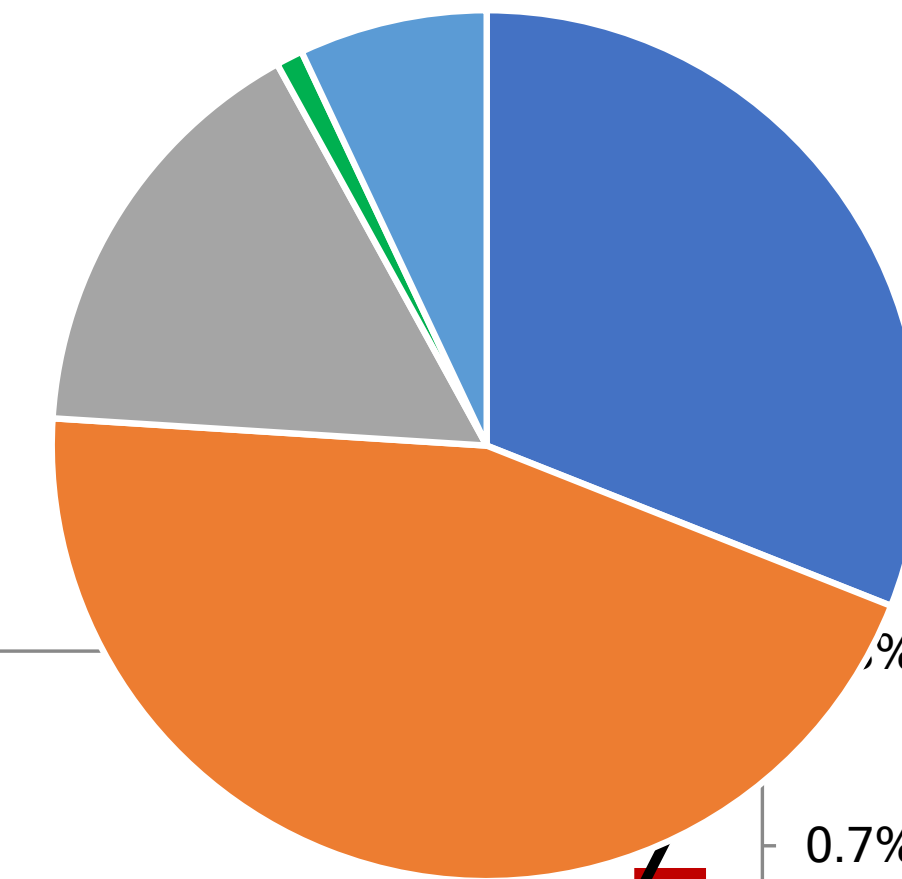
Transparency

- Disclosures from plan and third party asset managers

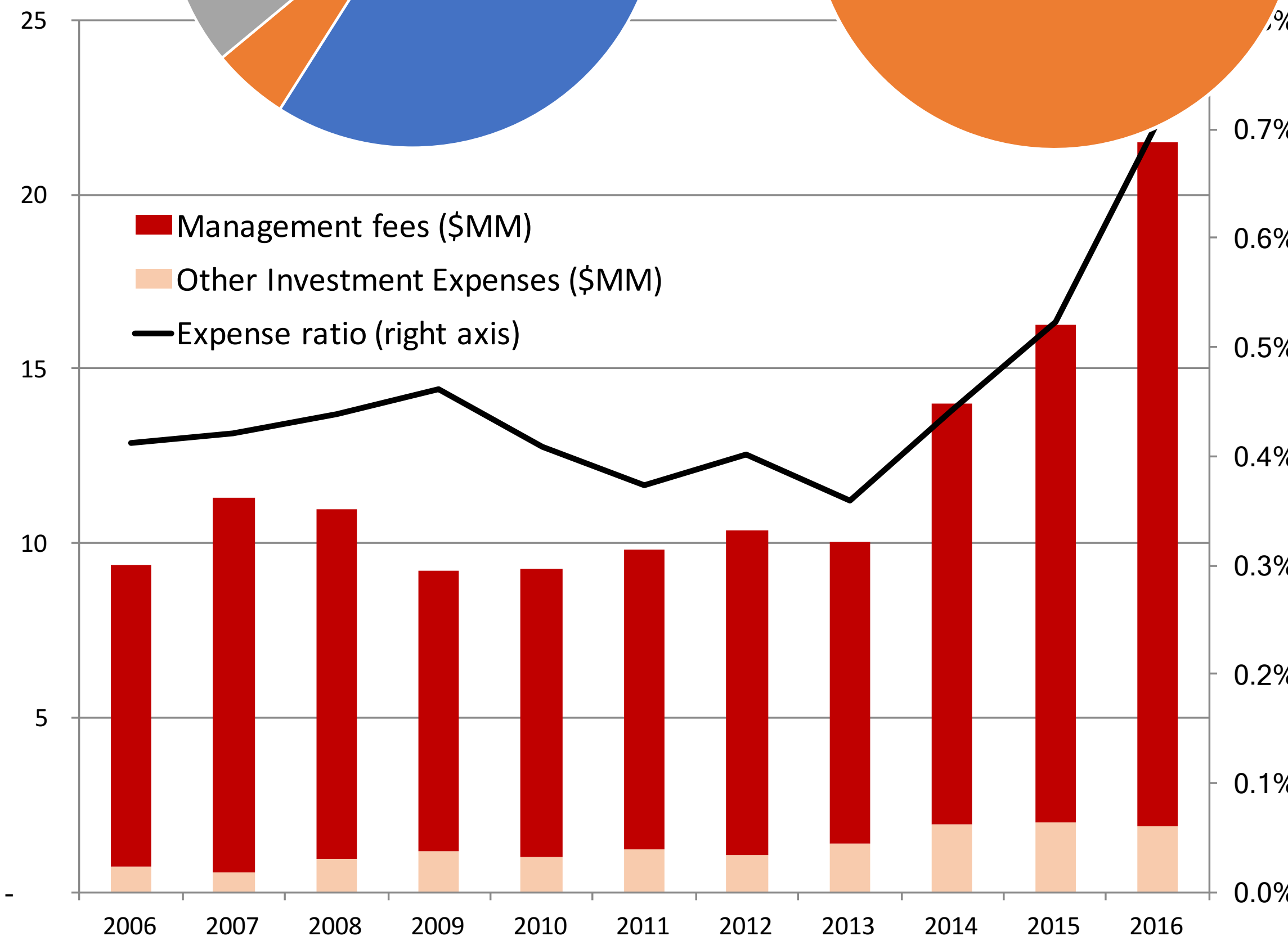
San Jose Police and Fire 2006



2016



- Equities
- Alternative Investments
- Fixed income
- Cash
- Real Estate



Sources: San Jose Fire and Police Investment Policy Statements, January 15, 2017.