



County of Los Angeles CHIEF EXECUTIVE OFFICE

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SACHI A. HAMAI
Chief Executive Officer

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May 4, 2016

To: Supervisor Hilda L. Solis, Chair
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: Sachi A. Hamai
Chief Executive Officer

ACTUARIAL STUDY OF THE LIABILITY TRUST FUND

On March 11, 2016, the Chief Executive Office (CEO) received correspondence from the California Contract Cities Association Liability Trust Fund Oversight Committee (Committee). The letter transmitted the Committee's January 14, 2016 meeting whereas a review of the analysis prepared by the actuary projects an actuarial status below 75 percent confidence level for several years (attached). The Committee subsequently voted to increase the surcharge for Sheriff services to 9.5 percent and increase the surcharge on all other services to 4.5 percent, effective July 1, 2016.

On April 20, 2010, the Board approved an ongoing administrative surcharge review procedure to ensure the Liability Trust Fund maintains funding at or above the 75-90 percent confidence level. If the funding falls below the 75 percent level for two consecutive years, the surcharge rate will automatically increase by 0.5 percent; and if funding rises above the 90 percent level for two consecutive years, the surcharge rate will automatically decrease by 0.5 percent.

On August 12, 2014, the County increased the surcharge to 5 percent effective January 1, 2015, at the request of the Committee. Another increase was recommended by the actuary and approved by the Committee due to potential shortfall in the Liability Trust Fund. Therefore, effective July 1, 2015, the Sheriff surcharge was increased to 6 percent. However, the recent increases have not kept pace with the liability expenses incurred by the Liability Trust Fund which necessitates the additional increases.

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The CEO Risk Management Branch has discussed the content of the actuarial study with representatives from the Committee and the California Contract Cities Association. The representatives have affirmed the validity of the analysis and, as such, we concur with the request. Accordingly, we are advising the Board, at the request of the Committee and support of the California Contracts Cities Association, that the rate for "Sheriff" will increase to 9.5 percent and the "All Other Contracts" rate will increase to 4.5 percent, effective July 1, 2016.

For more information, your staff may contact Steven T. Robles, County Risk Manager, at (213) 351-5346.

SAH:JJ
STR:sg

Attachment

- c: Captain Richard T. Mouwen, Contract Law, Sheriff's Department
- Sheila Williams, Manager, CEO, Public Safety Budget, Public Safety Cluster
- Curtis Morris, Chair, Liability Trust Fund Oversight Committee
- Sam Olivito, Executive Director, California Contract Cities Association
- Jonathan Shull, Joint Powers Insurance Authority

CALIFORNIA CONTRACT CITIES ASSOCIATION
LIABILITY TRUST FUND OVERSIGHT COMMITTEE

California Contract Cities Association
11027 Downey Avenue
Downey, CA 90241
(562) 622-5533

Liability Trust Fund Oversight Committee
8081 Moody Street
La Palma, CA 90623
(562) 467-8700

March 11, 2016

Ms. Sachi Hamai, Chief Executive Officer
County of Los Angeles
Room 713, Hall of Administration
Los Angeles, CA 90012

RE: Liability Trust Fund: 2016-2017 Surcharge Rates

Dear Ms. Hamai:

At its December 9, 2015 meeting, the Contract Cities Liability Trust Fund Oversight Committee (Committee) reviewed the June 30, 2015 actuarial study. The study suggests surcharge rates for the Liability Trust Fund (Fund) for the upcoming year. At its January 14, 2016 meeting, the Committee reviewed pro forma analysis prepared by the actuary projecting the status of the Fund ten years into the future under various surcharge rate scenarios. The actuary continues to project the Fund's overall actuarial status to fall below the 75% confidence level for several years.

Based upon a review of the actuarial study, the pro forma analysis, and in consideration of the current financial condition of the Fund, the Committee voted to increase the surcharge on Sheriff services to 9.5% effective July 1, 2016. The Committee also voted to increase the surcharge on all other departments to 4.5% effective July 1, 2016. These increases have been discussed with the city managers of the contacting cities at the recent Sheriff's Department City Managers conference. The California Contract Cities Association supports Committee's actions.

Please contact Jonathan Shull, California JPIA, at (562) 467-8717 if you have questions or need more information.

Sincerely,



Curtis Morris
Chair, Liability Trust Fund Oversight Committee



Sam Olivito, Executive Director
California Contract Cities Association

Enclosures

cc: Jonathan Shull, California JPIA
Steve Robles, County of Los Angeles
Capt. Richard Mouwen, LASD, Contract Law Enforcement Bureau
Lt. Andrew Rosso, LASD, Contract Law Enforcement Bureau