POLICY GOVERNING DEDUCTIONS FOR DUES AND SIMILAR ASSESSMENTS FROM RETIRED MEMBER BENEFIT ALLOWANCES

BOARD OF RETIREMENT
March 5, 2025

Policy Governing Deductions for Dues and Similar Assessments from Retired Member Benefit Allowances

Authorizing Manager: JJ Popowich, Assistant Executive Officer

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Mandatory Review: March 5, 2028 (Every Three Years)

Approval Level: Board of Retirement

I. Purpose

Government Code Section 31452.5 of the County Employees Retirement Law of 1937 (CERL) [1] authorizes the Board of Retirement (Board) to allow deductions from a retired member or survivor benefit payment to be paid to a third-party in the specific circumstances listed in the statute. In 1997, the Board of Retirement adopted a "Policy Governing Deductions for Dues and Similar Assessments from Retiree Warrants". This policy has not been reviewed or updated since 1997.

LACERA's staff developed an Agency Deduction Program overseen by the Benefits Division to administer the relationship and processing of deduction requests for agencies approved by the Board of Retirement.

This new policy replaces the Board of Retirement's 1997 policy and establishes a framework for the authorization, review, and maintenance of deductions from retired member or survivor benefits in compliance with the provisions of Section 31452.5.

II. Scope

This policy provides a framework, conditions, and direction on how to evaluate, approve, and onboard a third-party who has requested to request and receive deductions from a member's monthly benefit allowance for the purposes outlined under Section 31452.5 and this policy. This policy applies to:

A. Board of Retirement:
Upon approval, this policy provides the Board of Retirement with a framework for consideration of any request by a third-party to be authorized to request and accept deductions withheld from a member's monthly benefit allowance.

B. Any organization (as listed in the statute) wishing to seek or having been granted an authorization to request and accept deductions from a retired member benefit allowance.

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[1] All statutory references hereinafter are to provisions of the California Government Code within CERL.

C. Members who wish to have permitted deductions withheld from their monthly benefits allowances.

D. Staff

All staff involved in reviewing and recommending third-party requests by Board of Retirement approval and the subsequent maintenance of the Agency Deduction Program.

III. Legal Authority

Section 31452.5 provides conditions for when a retiree may have deductions withheld from their retirement allowances and sent to a third party providing specified services. Section 31452.5(a) states:

> "(a) The board may comply with and give effect to a revocable written authorization signed by a retired member or beneficiary of a retired member entitled to a retirement allowance or benefit under this chapter of the California Public Employees' Pension Reform Act of 2013, authorizing the treasurer or other entity authorized by the board to deduct a specified amount from the retirement allowance or benefit payable to any retired member or beneficiary of a retired member for any of the following purposes:"

This section continues by designating ten categories of deductions that can be authorized including most health-related insurance, vision and dental plans, life insurance, chartered credit union deposits, federally chartered veteran organizations, retiree organization dues, purchases of US Savings Bonds, federal and state taxes, and payments for benefit programs offered by a recognized retiree organization. Only these ten categories are eligible for deduction.

Section 31471.5 defines a "recognized retiree organization" as follows:

> "[A]n organization in which a majority of the members of the organization are retired members of the system and which the board, upon request, has approved recognition."

IV. Definitions

For the purpose of this Policy, the terms below have the following definitions:

Agency: Any third-party who has been authorized by the Board of Retirement under this Policy to request and receive deductions from a retired member's monthly benefit allowance.

Agency Acknowledgement Agreement: A signed acknowledgement from the agency that they understand the terms and conditions of the Agency Deduction Program.

Agency Deduction Compliance Report: A report each agency is required to submit to LACERA on a quarterly basis listing each member and the Type of Deduction(s) the member is currently paying at that time.

Category: Section 31452.5 lists ten distinct types of deductions that may be withheld from a member's retired benefit allowance. LACERA has created three categories to help track and communicate these deduction types.

Category 1 Deductions

- Group life insurance or group disability insurance issued by an admitted insurer
- Prepaid group medical or hospital service plan
- Vision care program or dental plan, approved by the Board of Retirement, for the benefit of the retired member or their dependents
- National service life insurance or United States government converted insurance

Category 2 Deductions

- Payment for the purchase of shares in or the payment of money to any regularly chartered credit union
- Payment to a charitable organization or a federally chartered veterans' organization that is approved by the board
- Payments to a recognized retiree organization
- Payment for the purchase of United States savings bonds
- Payment of personal income taxes to the government of the United States or the State of California

Category 3 Deductions

- Payment for any retiree benefit programs available through the recognized retiree organization. The board may require that this payment be made to a single party designated by the recognized retiree organization, either itself or a third-party administrator.

  Some examples of these types of services, if provided through a recognized retiree organization, include but are not limited to:

  - Supplemental health related insurance programs (such as those offered under Category 1)
  - Any non-healthcare or non-long-term care insurance benefit (such as Auto, Home, or Pet Insurance)
  - Legal aid/support services
  - Retiree Discounts
  - Travel insurance

Deduction: An amount withheld on a pre- or after-tax basis from a retired member's monthly benefit allowance.

Deduction Authorization Agreement (DAA): An agreement, in a form satisfactory to LACERA's CEO, signed by the member authorizing LACERA to make deductions from their benefit allowance and pay said deductions to the authorized agency.

Member: A retired LACERA member or their survivor.

Minimum Participation Threshold (MPT): A minimum number of members who have agreed to authorize deductions from their benefit allowance for any one Agency. The MPT can be waived by action of the Board of Retirement on a per agency basis.

Operational Audit: An audit performed by the Benefits Division staff entrusted with the administration of the Agency Deduction Program. This is not to be confused with audits performed by the Internal Audit Division. An example of this type of audit would be verifying that the Agency Deduction Compliance Report provided by the Agency matches LACERA's records of the categories of deductions to ensure compliance with Section 31452.5.

Recognized Retiree Organization: An organization in which a majority of the members are LACERA Members that has been officially recognized by the Board of Retirement in compliance with Section 31471.5.

Reconciliation Report: A report issued by LACERA to the appropriate agency that outlines the specific deductions made for each member requested.

Sponsor: Refers to a Recognized Retiree Organization that sponsors a Supplemental Benefits Program.

Supplemental Benefits Program: A benefit program offered through a Recognized Retiree Organization that provides insurance or services to LACERA members.

Type of Deduction: Section 31452.5 lists ten different deductions that can be allowed from a member's benefit allowance.

V. Policy

Pursuant to the terms outlined in Section 31452.5 and this policy, the Board of Retirement, at its discretion, may approve a third-party to be considered an Agency authorized to request and receive deductions from a member's retirement benefit allowance. Furthermore, by adoption of this policy the Board authorizes staff to create an Agency Deduction Program to administer this policy.

A. Minimum Requirements for Board Consideration of Agency Status

i. The organization meets one of the following:

   a. Has been recognized by the Board of Retirement as a Recognized Retiree Organization pursuant to Section 31471.5, or

b. One of the organization's primary purposes is to represent members of public retirement systems, or

c. The organization provides one or more of the ten categories of services or benefits to Los Angeles County retirees that are authorized for deduction under Section 31452.5.

ii. The organization has a minimum of 100 LACERA members who have executed a Deduction Authorization Agreement

B. Request for Consideration of Agency Status

Any third-party requesting to be approved by the Board of Retirement subsequent to this policy and the requirements outlined in CERL Section 31452.5, must submit a formal written request to the LACERA Chief Executive Officer (CEO) or their designee to be considered for Board approval. The third party must include the following elements in their submission:

- Name of third-party
- Name and contact information for the third-party's primary contact.
- Overview of the third-party's organization including history, leadership, and financial health.
- Description of the services the third-party intends to provide to LACERA members. This should include a breakdown based on the Category and Deduction Type.
- Description of the third party's relationship with a Recognized Retiree Organization, if any.
- Overview of third-party's DEI policies.
- Confirmation that the third-party meets the Minimum Participation Threshold (MPT).
- Confirmation that the third-party does not have any conflicts of interest with LACERA trustees, staff, vendors, and members, or alternatively a full disclosure of such conflicts.
- A certificate of insurance, which will be updated annually, showing the third-party has general liability insurance with aggregate and per claim limits of $3,000,000 and $_3,000,000_ and professional liability insurance with aggregate and per claim limits of $_1,000,000 and $_2,000,000.
- Disclosure of any claims and lawsuits within the last ten years.

- Such additional information as the CEO may deem necessary.

Following submission of the Request for Consideration, LACERA staff will review the organization's request and make a recommendation for consideration by the Board of Retirement.

C. Establishing Agency Status as a Third-Party Administrator for a Recognized Retiree Organization

In the event, the organization requesting Agency status is doing so as a third-party administrator for a benefits program offered by a Recognized Retiree Organization, the following would apply:

Categories of deductions will be limited to those permitted under category 10, as described in Section 31452.5.

In the event an organization requests Agency status as a third-party administrator for a benefits program operated by a Recognized Retiree Organization, the Board may add a clause that the Agency status is only valid while the organization serves as a third-party administrator for that Organization.

- All Deduction Authorization Agreements submitted during the third-party's approved Agency status period would be terminated effective 60 days after the notification of the termination of the third-party administrator status.

- The Recognized Retirement Organization will be required to collaborate with LACERA to notify all members with Deduction Authorization Agreements for deductions to the Agency in question that the deductions will cease on a specified date. All expenses for this notification will be paid for by the Recognized Retirement Organization.

- The Recognized Retirement Organization terminating the agreement with the Agency, will be required to pay all labor and mailing costs incurred by LACERA for the notification and closing of the deduction agreement.

- The Agency may submit a new Request for Consideration of Agency status. If approved, the Agency would need to comply with all the terms of this policy and the Agency Deduction Program.

D. Agency Acknowledgement Agreement

If approved by the Board of Retirement for participation in the Agency Deduction Program the Agency must sign an Agency Acknowledgment Agreement that outlines the terms and operational requirements to be an agency. The Board's approval is not "activated" until the Agency signs this agreement.

E. Deduction Authorization Agreement

Deductions from a retired member's benefit allowance must be specifically authorized by the member before LACERA will take the deduction. The Agency will be required to submit a written Deduction Authorization Agreement (DAA) in a form provided by LACERA for, and signed by, every member for whom they request a deduction be made.

- **i.** Unless otherwise indicated in the agreement any changes in the types of services elected by the member will require an updated DAA be submitted.
- **ii.** The agreement may include an authorization to share member contact data with the Agency for the duration of the agreement to facilitate the delivery of services to members.

F. Information Sharing:

- **i. Limited Information May be Shared with the Agency**
  - a. Members may elect to authorize contact information to be shared with the Agency as part of the Deduction Authorization Agreement.
  - b. Prior to LACERA sharing any member contact information the Agency must complete a Security Assessment process as outlined by LACERA's Information Security Office (ISO). The ISO will provide the Agency Deduction Program management team with a letter confirming the Agency has met the Security Assessment requirements.
- **ii. Electronic Processing:**
  - a. To facilitate efficient and accurate processing and exchange of data, all submissions and information sharing must be done via approved secure electronic processing means.
  - b. LACERA will provide an electronic transmittal format for mass rate changes.
  - c. All changes must be submitted no later than the 13th of each month to be processed in time for a month-end deduction of the same month.

G. Payment Requirements:

Any Agency participating in the Agency Deduction Program must agree to receive a lump sum-payment of all monthly deductions via Direct Deposit. LACERA does not support quarterly, or annual payments.

H. Reporting Requirements:

i. LACERA Reporting Requirements:

a. Staff is directed to provide the Agency with appropriate Reconciliation Reports monthly to ensure the agency has the necessary information to properly credit member accounts.

b. Staff is directed to make an annual report to the Operations Oversight Committee regarding the status of the Agency Deduction Program.

ii. Agency Reporting Requirements:

a. The Agency is required to provide a quarterly Agency Deduction Compliance Report. This report must indicate the Deduction Type by member. This report will be used by LACERA staff to conduct Operational Audits to ensure compliance with Section 31452.5.

I. Audit Requirements:

The Board of Retirement directs the Internal Audit Division to conduct compliance audits of the Agency Deduction Program every five years or as required to ensure compliance with this policy.

VI. References

These references are intended to help explain this policy and are not an all-inclusive list of policies, procedures, laws, and requirements. The following information complements and supplements this document:

Related Policies: List specific policies by policy title, or "Not Applicable" after the colon.

- Mail Services Policy

Related Procedures:

- Agency Deduction Authorization Program Procedures (Internal Document)

Related Forms/Templates:

- Agency Acknowledgement Agreement *(Pending Review)*
- Deduction Authorization Agreement *(Internal Document)*
- Agency Transmittal *(Pending Review)*

Other Related Information: Not Applicable

VII. Version History

Update/Review Summary: Previous policy version(s) superseded by this policy:

- Policy Governing Deductions for Dues and Similar Assessments from Retiree Warrants: April 2, 1997

Original Issue Date: April 2, 1997

VIII. Policy Review/Approval

This Policy shall be reviewed by the Board of Retirement every three years or more frequently as needed.

The Board of Retirement approved this policy on March 5, 2025.