

Article revised March 5, 2004

A \$50 Million Recovery

by David L. Muir, Chief Counsel

As one of the largest shareholders of Enterasys Networks, Inc., LACERA was appointed by the United States District Court in New Hampshire to lead a class action lawsuit alleging accounting fraud at the company.

On December 19, 2003, the Court approved a settlement LACERA negotiated with the defendants. Defendants did not admit liability in entering into the settlement. Writing for the National Association of Public Pension Attorneys newsletter, LACERA's lead counsel, Glen DeValerio reported:

"The \$50 million recovery in Enterasys makes it the richest in New England securities litigation history. But drawing even more attention were boardroom provisions that will make the once wayward company a model of state-of-the-art good governance and, it

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Using Termination Pay

On Tuesday February 10, 2004, the Board of Supervisors adopted a resolution allowing active members who are purchasing Additional Retirement Credit (ARC) to use termination pay (officially called Time Certificate) to complete an ARC contract. Additional Retirement Credit does not need to be based on actual employment, and it increases the total years of service credit on which your retirement allowance is calculated.

The Termination Pay Option Includes Three Key Points:

- 1) The Auditor-Controller must transfer your termination pay directly to LACERA.
- 2) You must enter into a Payroll Deduction Authorization Agreement (termination pay contract) *at least 30 days* prior to termination. This contract is separate and in addition to your ARC contract.
- 3) The termination pay contract is *irrevocable*.

What Is Termination Pay?

Termination pay may include (depending on your personal situation) balances of unused vacation, sick leave (except Personal Sick), accrued overtime, holiday, and MegaFlex non-elective leave balance. It is usually paid in a lump sum, separate from your last regular paycheck, and subject to tax withholding. When transferred to LACERA to pay for an ARC contract, taxes are not withheld from the transferred amount, and it qualifies as a before-tax payment. Contact your tax advisor regarding the tax implications of using termination pay for your ARC contract. For information about your termination pay, contact your Human Resources representative.

Delaying Your Retirement

If you have already applied for retirement, but are interested in using termination pay to complete an ARC contract, please contact LACERA *now*. Your County termination pay contract must be

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**Los Angeles County
Employees Retirement
Association**

**Members of the
Board of Retirement**

- WARREN L. BENNETT
Chair
Appointed by Board of Supervisors
- SIMON S. RUSSIN
Vice Chair
Elected by General Members
- LES ROBBINS
Secretary
Elected by Safety Members
- MARK J. SALADINO
County Treasurer & Tax Collector
Ex-Officio Member
- SADONYA ANTEBI
Appointed by Board of Supervisors
- BRIAN C. BROOKS
Elected by General Members
- WILLIAM DE LA GARZA
Elected by Retired Members
- SI FRUMKIN
Appointed by Board of Supervisors
- WILLIAM PRYOR
Alternate Member
Elected by Safety Members
- EDGAR H. TWINE
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Appointed by Board of Supervisors
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- LARKIN TEASLEY
Appointed by Board of Supervisors

- Chief Executive Officer
MARSHA D. RICHTER
- Assistant Executive Officer
GREGG RADEMACHER
- Assistant Executive Officer
ROBERT HILL

From the **EXECUTIVE DESK**

Marsha D. Richter—CEO, LACERA



Are You Too Young to Retire?

You're still a spring chicken, *decades* away from retirement. How could articles about the end of your career possibly relate to your life as you know it? Sure one day you'll retire, but now is no time to dwell. "It's never too early to start planning for your future." This old familiar phrase may seem a little trite, but there is a lot to be said for thinking ahead. Because as a County employee you are already building a retirement—whether you're thinking about it or not.

When you first got a job with Los Angeles County, you selected a retirement plan. That plan will become a big part of your future because as a defined benefit plan, we guarantee your benefits at retirement. Expressed as a percentage of your average pay based on your age, years of service, and retirement plan, you know exactly how much your retirement allowance will be. Every year the Annual Benefit Statement you receive tells you how your future retirement allowance is shaping up. The facts and figures on your statement show a total of your monthly retirement contributions if you are in contributory Plan A, B, C or D, as well as the amount of County contributions. Even though your retirement is years away, you can already see how your plan is working for you.

Things to Consider

If your retirement future seems completely unrelated to your life today, maybe you just haven't considered all of the issues that could be affected by it. Ask yourself some questions to gauge your relationship with your future:

- Exactly what benefits will I get when I retire?
- How old will I be when I retire?
- How long will I live after I am retired? 20 years? 30 years? 40 years?
- Where will I want to live in retirement? Is health insurance available there?
- What percentage of my pay could I realistically live on? Does my financial plan support that amount?
- Will my home be paid off by the time I retire, or will I still be making payments?
- Will I be taking care of my children and my parents?
- As I near retirement, have I looked at the retiree organizations, such as RELAC, AFSCME, Local 660 Seniors, to see what they offer?

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2003 Legislative Updates

by Jan Barcus

On January 5, 2004, the Legislature reconvened following the Interim Recess. Important calendar dates include:

- January 31—The last date for bills introduced in 2003 (two-year bills) to be passed out of the house of origin
- February 20—The last day for new bills to be introduced.

Below are listed some of the bills LACERA is currently following:

AB 476 County Employees' Retirement: Safety Members 30-Year Cancellation (Correa)

This bill codifies current LACERA policy which provides that a temporary, seasonal, intermittent, or part-time-only safety member who works with a county or district, followed by service with a reciprocal retirement system, followed by reemployment with the original county or district within six months as required for reciprocity, is considered to have continuous service. LACERA has proposed the bill be amended to clarify that the time between each period of reciprocal employment cannot exceed six months.

Introduced: February 14, 2003
Amended: January 14, 2004
Sponsor: California Professional Firefighters
Status: Passed to the Senate on January 29, 2004
LACERA position: Support with Amendments

AB 979 County Employees' Retirement: Alternate Retired Member/Survivor Benefits/\$5,000 Death Benefit

- 1) Provides compensation to the alternate retired member for all meetings attended.
- 2) Allows a retired member to elect a reduced allowance to provide a survivor's continuance when marriage occurs after retirement. Allows member to elect a reduced allowance to "purchase" a "pop-up" provision should the named beneficiary die before the member.
- 3) Authorizes the Board of Retirement to elect to provide the \$5,000 death benefit through a group life insurance policy if the cost is the same or less than other methods of providing the benefit.

Introduced: February 20, 2003
Amended: January 16, 2004
Sponsor: State Association of County Retirement Associations (SACRS)
Status: Passed to the Senate on January 29, 2004
LACERA position: Support

AB 1281 County Employees' Retirement: Purchase of Prior Service by Law Enforcement and Firefighters

Would authorize law enforcement and firefighter members to receive retirement credit for any prior public agency employment. To purchase the prior service, the member pays his or her contributions plus accrued interest. This bill is very similar to AB 80 vetoed by Governor Davis last session. The Governor's veto message cited the unfunded liability that would be created and that the measure may inadvertently allow a retiree to double dip by collecting a pension with the out-of-state service while also collecting a pension in California.

Introduced: February 21 2003
Amended: January 29, 2004
Sponsor: California Professional Firefighters
Status: Passed to the Senate on January 29, 2004
LACERA position: To be determined by the Board. 

Do you have questions regarding your retirement benefits?

Telephone LACERA at

626-564-6132

800-786-6464

FAX: 626-564-6155

Your Social Security number is the key to finding your records.

We thank you for your patience and understanding when you call.

welcome@lacera.com

Now you can e-mail LACERA to ask about general retirement information. Just use the LACERA e-mail address shown above. If you have specific questions about your benefits or need to resolve any issues affecting your personal retirement account, please contact LACERA at

800-786-6464

and ask to speak to a Retirement Benefits Specialist.

P.S.

Super Slow

Excerpted from *The Wellness Letter*



To stay healthy you need about half an hour of moderately intense exercise daily, or nearly every day—and the experts recently raised that recommendation to an hour, especially if you want to lose weight. Ah yes, you might say, but busy lives put the squeeze on exercise time. Thus many have jumped at a new kind of exercise known as “Super Slow,” which promises fitness super fast.

The idea is that you hoist a set of weights very slowly, up for 10 to 14 seconds, then down for 5 to 10 seconds. Hence, each repetition lasts about 20 seconds, instead of the usual 2 to 6 seconds, and you only do 5 repetitions instead of the customary 15. And—this is the good part—you need to do this only for half an hour once a week. You are told you can forget about the walking, the cycling, running, and other aerobic exercise. You are promised you’ll lose weight. The harried working parent might think this sounds like a pretty good deal, even if it sounds too good to be true. At least two popular books currently promote Super Slow as a fitness revolution, and there’s a SuperSlow Guild, which has trademarked the method.

What’s the Skinny?

There isn’t a lot of research yet on Super Slow. A recent study from the George Washington University Medical Center found that traditional strength-training sessions improve muscle strength more effectively than Super Slow. Researchers at the University of Alabama at Birmingham found that

traditional strength training burned more calories than Super Slow and thus would be more helpful in controlling weight. Still another study found Super Slow superior to traditional strength training for building muscles, but the dropout rate among participants in Super Slow was high.

The Up and Down of It

Super Slow is a short workout, and it can provide variety when added to another type of training. Exercise is essential to health—and many people bypass it entirely—so nearly anything that gets you into a training program is good news. But Super Slow could pose a risk for those with high blood pressure or cardiovascular problems, since people tend to strain and hold their breath during any weight training, and that raises blood pressure (this should not be harmful to healthy people). And there’s no proof, and no way, this form of weight training (or even traditional weight training) can take the place of aerobic exercise.

If you want to do some Super Slow, take it easy. Don’t do grueling sessions. Start with weights that don’t strain your abilities too much. Try eight-second repetitions, four up and four down. Try to be smooth and slow, not jerky. Give yourself at least 48 hours between sessions. And don’t give up other exercise, such as walking, cycling, running, jogging, swimming, and playing sports. And as with any new training regimen, consult your physician if you have questions about whether it’s right for you. 

Planning to Retire This Year?

For those of you retiring this year, be sure to attend a LACERA Retirement Workshop before you sign your Retirement Estimate and Election form. Know your options before you make any retirement decisions.

In addition to all the information you will learn at a retirement workshop, take the time to review the steps below to help you make a smooth transition:

- 1) Establish one central location for your vital documents, including your marriage certificate and birth certificates for yourself, your spouse, and your minor children. Easy access to these documents will expedite the processing of your retirement and survivorship benefits.
- 2) Make sure your spouse and/or other beneficiaries know the location of your vital documents.

Below are additional documents you should have on hand, should you or your dependents need quick access to them when settling your affairs:

- Passports
- Citizenship papers

- Copy of deed to your home
- Copies of divorce decrees
- Copies of adoption or guardianship papers
- An outline of your asset holdings or your broker or financial planner's name and phone number
- Any other legal records pertaining to your estate

The retirement process is much smoother when members keep their vital documents in order and readily available. Other agencies such as Social Security may also require these documents when you are claiming benefits, so keep extra copies of them handy.

Divorced?

If you were divorced during the course of your career with Los Angeles County, you may have a "legal hold" placed on your retirement account when you retire. When this occurs, LACERA cannot initiate your retirement benefits until we have a court order stating how your retirement account should be divided.

When divorce proceedings are initiated, the following steps are taken:

- 1) A legal joinder is served to LACERA. This means that LACERA is a party to the divorce action and cannot divide any funds from your retirement account without further direction from the court.
- 2) After the divorce is finalized, a court order is provided to LACERA directing how your retirement monies will be disbursed.

LACERA refers to these retirement cases as "legal splits." This means we must pay your beneficiaries according to the terms of the court order.

If you have gone through a divorce and LACERA has not received a court order by the time you retire, we must hold your retirement benefits until we receive the court order. You can consult your attorney to ensure a court order has been issued, or you can contact LACERA to check the status of your legal hold. 

Pre-Retirement 2004 Workshop Schedules for General and Safety Members

TUESDAYS IN MARCH

Safety Member—Tuesday: March 2; 8:30 am -12:30 pm

General Member—Tuesdays: March 9, 16, 23, 30; 8:30 am-12:30 pm

TUESDAYS IN APRIL

Safety Member—Tuesday: April 6; 8:30 am-12:30 pm

General Member—Tuesdays: April 13, 20, 27; 8:30 am-12:30 pm

TUESDAYS IN MAY

Safety Member—Tuesday: May 4; 8:30 am-12:30 pm

General Member—Tuesdays: May 11, 18, 25; 8:30 am-12:30 pm

The ARC Calculator Is Up and Running

If you have been considering purchasing Additional Retirement Credit (ARC), now you can do a little homework first to decide whether this is a good option for you. The ARC Calculator on www.lacera.com is a new feature that allows you to estimate the cost of purchasing ARC based on your current salary, age, length of contract, and current plan.

Although the calculator does not provide an official LACERA estimate, it is still a very useful tool for active members who would like to see what their retirement allowance might look like if they were to purchase ARC.

Using the Calculator

The ARC calculator is simple to use: Just plug in your age, salary, length of contract, and current plan, then click "Calculate." You can do several different calculations by changing the information for each category. For instance if you are concerned about the cost of monthly contract payments, change the length of the contract to recalculate the payment amount.

Frequently Asked Questions

In addition to the ARC calculator on www.lacera.com, we have also posted a list of frequently asked questions (FAQs) about additional retirement credit. For your information, we have included these questions below. This list will remain posted on our web site for your reference.

1. What is Additional Retirement Credit?

Additional Retirement Credit or "ARC" is credit that you can purchase to increase your total retirement service credit. ARC is not based on actual employment.

2. Am I eligible to purchase ARC?

You must be an *active County employee in a contributory plan with at least 5 years of actual County service credit* to purchase ARC. County service may include purchased temporary time, Plan E service, dual account service (safety and general), and PERS transfer credit. Reciprocal service is not included.

3. I am in Plan E. Can I purchase ARC?

No. You must be a member of a contributory plan to purchase ARC.

4. I am on deferred status. Can I purchase ARC?

No. You must be an active member to purchase ARC.

5. How will ARC benefit me?

Purchasing ARC will increase your total years of service credit. Additional years of service credit may increase your monthly retirement allowance.

6. Are there situations in which ARC will not increase my retirement allowance?

Yes. Your retirement allowance cannot exceed 100% of your final compensation, even if you have

purchased ARC. Also, ARC will not increase your allowance if you are granted a service-connected disability retirement and you are not eligible for a service retirement. In this case, your allowance would be 50% of your eligible compensation, regardless of service credit.

7. Will ARC count towards meeting the requirements to retire, or any other benefits?

No. ARC adds to your total retirement service credit for purposes of calculating your *retirement allowance only*. ARC cannot be used to meet the minimum eligibility requirements for a service or disability retirement or towards a cancellation of contributions for members who attain 30 years of service credit. Also, ARC is not applied when calculating additional ad-hoc cost-of-living benefits, health care benefits, or any other benefits that are based on total years of service credit. However, the annual April 1 cost-of-living adjustment (COLA) percentage is applied to the retiree's total monthly retirement allowance, which already includes any ARC purchased.

8. How much ARC may I purchase?

You may purchase a minimum of 1 year, up to 5 years. The ARC Calculator estimates the cost for 1 through 5 years. If you request an official LACERA cost notification, your contract will indicate the exact cost for the amount of ARC you request to purchase.

9. How is the cost of ARC calculated?

By law, ARC must not place any additional financial burden on the retirement system. Therefore, the member pays the *full actuarial* cost of the additional future retirement benefit. The calculation formula is called the “present value formula,” which uses your current salary and age, together with actuarial assumptions for salary increases and retirement age, to calculate your cost in today’s dollars. If you are interested in purchasing ARC after using the ARC Calculator, please contact LACERA for an official Cost Notification.

10. What are the contract payment terms?

Your contract term (payment period) may be up to 10 years (from 1 month up to 120 months).

11. How can I pay for ARC?

While you are an active employee, you may pay an ARC contract with:

- Before-tax lump sum rollovers from 401(k), IRA, or other tax-qualified plans (not 457 plans)
- Before-tax monthly payroll deductions
- Before-tax partial lump sum payment and monthly payroll deductions

Within 120 days after retirement or termination and deferral, you may complete an ARC contract with:

- Before-tax lump sum rollovers from 401(k), 457, IRA, or other tax-qualified plans
- Termination Pay transferred directly from the LA County Auditor-Controller to LACERA, before taxes are withheld. Visit

www.lacera.com for more details about this option, and read the article “Using Termination Pay” on page 1.

12. Can I use after-tax dollars to pay for ARC?

No. LACERA cannot accept after-tax dollars, such as money from your checking or savings account or proceeds from mortgage refinancing. Please see #11 above for acceptable payment options.

13. I began a contract to purchase ARC, but now I want to cancel it. Can I do this?

No. Monthly contracts paid with before-tax dollars are irrevocable and cannot be modified or terminated, regardless of personal circumstances or hardship.

14. Will my ARC contract affect my monthly plan contributions?

No. Your current retirement contributions will continue to be deducted from your monthly paycheck in addition to any deductions for ARC.

15. What if I retire before my contract is paid in full?

If you retire before your contract is paid in full, you may complete the contract within 120 days after retirement. Your retirement allowance will be recalculated to reflect the total ARC purchased (prorated if not paid in full).

16. What if I terminate my employment and defer retirement before my contract is paid in full?

If you terminate and defer before your contract is paid in full, you may complete the contract within 120 days after your termination date. When you retire, your retirement

allowance will include the ARC you purchased (prorated if not paid in full).

17. If I die before my contract is paid in full, can my surviving spouse complete payment of the contract?

Yes. If you die before your contract is paid in full, your surviving spouse may complete the contract within 120 days after the date of death. The survivor’s allowance will be recalculated to reflect the total ARC purchased (prorated if not paid in full).

18. What happens if I am granted a Disability Retirement?

If you are granted a Disability Retirement before your contract is paid in full, you may complete the contract within 120 days from the date on the Board letter granting your disability retirement, or within 120 days after your effective date of retirement, whichever is later. Your retirement allowance will be recalculated to reflect the ARC you purchased (prorated if not paid in full).

19. I read that my cost for ARC is based on the average retirement age for my plan. If I plan to retire before the average retirement age, will my cost be calculated differently?

No, the cost is calculated using the average retirement age even if you plan to retire before (or after) you reach the average age. The calculation method, using an average retirement age for each plan and a projected increase in salary until that average retirement age, was recommended by LACERA’s actuary. The actuarial assumptions are based on plan experience. 

Can You Afford to Refinance?

If you've been thinking about refinancing your home, but aren't sure if the time is right, check out LACERA's Mortgage Calculator on www.lacera.com. Using the online Mortgage Calculator, you can calculate the summary breakdown for a mortgage loan including interest costs, property taxes, principal balance, and more. You can even determine the impact of any principal prepayments. It's easy to use the calculator. Just fill in the variables and click "Calculate" to see how your payments and remaining balance will be affected by filling in different amounts. You can view what your total mortgage will be (principal plus interest), and also see a payment schedule over the life of your loan, either monthly or yearly.

New to the Member Home Loan Program? Read all about it online at www.lacera.com. This web site section is complete with a LACERA Mortgage Calculator, FAQs, descriptions of loans, daily mortgage rates, and more. Just go to the "Investments" tab on the home page and click on "Home Loan Program."

GMAC Mortgage Corporation provides financing for the LACERA MHLP program, and they will assist you in completing your home loan application. Loan officers are available to visit your residence or job site to take your application. Or you may visit the GMAC offices to apply for a home loan. Also, the entire loan application can be completed by phone, mail or by fax.

Take advantage of the flexible interest rate lock-in option and other discounted fees offered through the LACERA MHLP program. The interest rate lock-in option allows you, the borrower, to receive the lowest prevailing interest rate on one of the following dates: your application date, your approval date, or the date your documents are prepared. You will receive the lowest interest rate of these three dates and there is no extra charge for this flexible feature.

The MHLP offers a wide range of fixed and adjustable rate loans, all with competitive rates and low fees. LACERA's active members, retirees, and beneficiaries may participate in our exclusive LACERA Member

Home Loan Program.

- Easy application process
- At no additional cost, you will receive the lowest interest rate applicable from the following three dates: the application date, approval date, or the date the documents are prepared
- 25% discount off the 1% origination fee
- \$350 application fee includes credit report and appraisal report
- \$175 processing fee (other third party fees, escrow, and title insurance may apply)
- Zero point loans available
- A dedicated 800 number
- Pre-approvals

LACERA can help you and your family save money with our Member Home Loan Program and lock-in option. Just call 800-2-LACERA (252-2372) to speak with a GMAC Mortgage representative today. 

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is hoped, enhance its long-term shareholder value.

"The settlement, approved in December 2003, allows investors holding more than 5 percent of the company's stock to nominate alternative candidates to the Board—the type of concession shareholder activists have spent decades trying to wheedle from regulators. Of equal significance, Enterasys must now back a plan to eliminate its staggered board and support one-year terms for all directors.

"The settlement also forces the computer-networking company to expand its annual proxy statements to include information far exceeding regulatory requirements. For example, Enterasys must detail its chief executive's compensation, comparing it to the salaries of heads of similar companies and putting the pay package in the context of Enterasys' own returns.

"In short, the agreement opens Enterasys to greater outside scrutiny, makes the Board of Directors more independent, and gives shareholders

greater say in running the company."

In approving the settlement, Judge Steven J. McAuliffe complimented LACERA: "I do applaud the inclusion of the changes in corporate Governance... It's good for the market, certainly good for the market."

This is just one of several cases LACERA has brought to recover damages suffered in the recent rash of account fraud at major U.S. corporations, including WorldCom and AOL-Time Warner. 

LACERA's Call Center:

Retirement Benefits Specialists Are a Phone Call Away

by Jeff Shevlowitz

When LACERA members call 800-786-6464, customer service is on call. The individuals who answer the phones at LACERA are trained Retirement Benefits Specialists, able to assist with over 95% of your benefits questions.

For newly hired members who have questions regarding the details of Plan D or E, the specialists in the Call Center are able to clarify the issues. And for active members who are interested in plan transfers, purchasing previous service, leaving County service and withdrawing funds, establishing reciprocity, or even requesting a letter to verify their total employee contributions made to their retirement fund, the Call Center Specialists can help with that, too.

When members are ready to

retire, the Benefit Specialists in the Call Center are able to assist with everything from choosing the best retirement date to helping distinguish between a service-connected disability retirement and a normal service retirement. They can also explain how Direct Deposit is set up, or help members understand the various options of a retirement estimate. With a single phone call, members can also receive assistance in filling out various forms required to make a smooth transition between employment and retirement.

For retired members with questions or concerns regarding their health insurance, the Retiree Health Care Section has its own Call Center designed specifically to assist retired members with health insurance issues. By following the prompt to "Press 1" when calling LACERA's

toll-free number, members are directly connected to the Retiree Health Care Section. Retirees also have the option of staying on the line to be connected to the general Call Center for assistance. When a Benefits Specialist answers the call, he or she can transfer the member to the Retiree Health Care Section so the member doesn't have to call back.

The Call Center is at the service of more than 140,000 LACERA members, ready to answer your unique questions. When you call 800-786-6464, you will hear, "Thank you for calling LACERA's Member Services. How may I help you today?" You can be confident that the person answering the phone is a qualified Retirement Benefits Specialist who will be able to assist you. 

Medical Plan Changes When You Retire

Over the past several years, the medical insurance industry has experienced constant changes. Listening to the daily news reports, there are frequent discussions about medical insurance and how companies are addressing changes in Medicare regulations, Social Security requirements, and how to optimize patient care while controlling costs. Although you are still an active member, paying attention to this health care dialogue will keep you abreast of changes that could one day affect your benefits.

LACERA coverage is coordinated to begin on the first day

of the month after active County health coverage ends. For this transition to occur, your enrollment form must be received by LACERA within 60 days from the date of your retirement, or within 60 days from the date your name appears on the Board of Retirement agenda. If you elect a retiree health plan before the deadline passes, you will have a seamless transition from one health care plan to another with no break in coverage. Late enrollment rules apply if LACERA does not receive your enrollment form in a timely manner.

It is very important that you carefully read all materials we mail to you. Pay special attention to documents which highlight changes that LACERA is required to implement. Always review the options available to you and make the best selection for yourself and your family. Changes and reorganizations within the insurance industry may affect your medical plans, so be sure you stay informed.

Call LACERA at 800-786-6464 or visit our web site at www.lacera.com to remain informed of ongoing changes. 

Termination Pay cont'd from pg. 1

signed at least 30 days prior to your termination date. Therefore, to meet the 30-day requirement, you may need to contact your department to postpone your termination date from the County, and write or fax LACERA (626-564-6155) to rescind your retirement request. The 30-day requirement is effective for retirement dates through May 31, 2004. If you retire on or after June 1, 2004, a 90-day advance notice is required.

Using Termination Pay

LACERA can only accept a termination pay transfer from the Auditor-Controller. Termination pay can only be used to pay your ARC contract balance—not other service credit purchases.

- If your termination pay

exceeds the balance on your ARC contract, the Auditor-Controller will transfer enough to pay the contract balance, then return any remaining termination pay to you (minus tax withholding).

- If the termination pay balance is *less* than the amount needed to complete your ARC contract, the full termination pay amount is transferred to LACERA. You will have 120 days after your date of retirement to pay the remaining balance, or LACERA will prorate your Additional Retirement Credit.

What Are My Other ARC Payment Options?

As an active member, you may roll

over some of your 401(k) or IRA funds to begin an ARC contract, and/or choose monthly payroll deductions. After you terminate, you may roll over your 457, 401(k), or IRA funds to complete the contract.

ARC Calculator and Information Online

Visit the ARC calculator and FAQ page on www.lacera.com for an ARC cost estimate and information about purchasing Additional Retirement Credit. Use the Retirement Calculator to estimate your allowance.

If you have further questions about ARC or using your termination pay to complete an ARC contract, call LACERA at 800-786-6464 and speak with a Retirement Benefits Specialist.

HOW TO USE YOUR TERMINATION PAY

- Please use the ARC calculator on www.lacera.com to determine the **estimated cost** of the ARC contract. You may contact your Human Resources office for current information about your termination pay.
- **Call LACERA (800-786-6464) to request the ARC Cost Notification and Contract.** Let LACERA know how many years of Additional Retirement Credit you wish to purchase. If you choose to purchase ARC, please sign the *irrevocable ARC Contract* and mail it to LACERA. *Make a photocopy for yourself.*
- **Sign an irrevocable County Payroll Deduction Authorization Agreement** (termination pay contract).
- **Attend a personal counseling appointment** with a LACERA Retirement Benefits Specialist to discuss the use of termination pay to complete your ARC Contract and **to sign a LACERA Release form.**

Important Termination Pay Disclosure Information

The transfer of termination pay is intended to qualify as a before-tax contribution under Section 414(h)(2) of the Internal Revenue Code. To confirm this, the County will seek an IRS private letter ruling which may conclude that termination pay does not qualify as a before-tax contribution. If this happens, the termination pay transferred to pay the ARC Contract will be refunded to you and will become taxable for the year it was earned. You will be responsible for any taxes, penalties, and interest. In this case, your retirement allowance would be recalculated (reduced) and you will be required to repay LACERA the amount of retirement allowance overpaid to you. If you wish to re-purchase the Additional Retirement Credit within 120 days from notification, you may rollover your 401(k), 457, IRA or other qualified plan funds. Or you may pay with after-tax dollars provided the amount is within the 415(c) limits for the year you terminate. (The 415(c) limits for 2004 are \$41,000 or 100% of your compensation, whichever is less.) Please seek the advice of your tax advisor or attorney. 

The Ventura Decision Today

by David L. Muir, Chief Counsel

The California Supreme Court has refused to hear the Ventura case. This means the trial court judgment requiring LACERA to implement the Ventura Decision retroactively is final and binding on the Board of Retirement. LACERA staff is working on an implementation plan that will soon be submitted to the Board of Retirement and the court for approval.

Background Information

Retirement allowances are calculated as a percentage of final compensation. A person's final compensation is equal to the average pensionable earnings during either a 12-consecutive-month- or 36-consecutive-month-period, depending on the member's retirement plan.

Historically, LACERA excluded from final compensation many items of pay on the basis that the pay items were not received by everyone in the same job classification. We will refer to these as "special pay" items. Examples include bonuses for utilizing a foreign language on the job, additional pay for working an evening shift, and bonuses for achieving certain certifications that evidence advanced skills applied on the job. This practice of excluding special pay items was followed by 19 other California counties that, like LACERA, operate retirement systems under the County Employees Retirement Law.

The practice of excluding special pay items was challenged in court by the Ventura County Deputy Sheriff's Association. That case was litigated all the way to the California Supreme Court, which held that the practice of excluding special pay items was invalid. The Supreme

Court's decision, which became final in October 1997, came to be known as the "Ventura Decision."

LACERA implemented the Ventura Decision starting in October 1997 when the decision became final. From that date forward, LACERA has included the additional pay items in a member's final compensation. LACERA's refusal to apply the decision retroactively to members who retired prior to October 1997 resulted in the current litigation against LACERA. The court has now ordered LACERA to recalculate the final compensation for all members who retired prior to October 1997 and who received compensation under one of the special pay items. LACERA was further ordered to adjust each affected retiree's retirement allowance, going back to **May 1995**. Adjustments for earlier periods are barred by the statute of limitations.

LACERA's Implementation Plans

The task of implementing the Court's judgment presents several challenges. The County has pay records going back only for about 10 years. LACERA cannot ascertain whether a member who retired earlier than that received compensation under one of the special pay items. Even if pay records were available, it would take years and literally thousands of hours to research the records of over 40,000 retirees to determine whether each member was entitled to an adjustment.

Another challenge is determining whether and to what extent retirees and active members should be required to pay arrears contributions on the special pay

items for the period prior to 1997. (LACERA has collected contributions on all special pay items since 1997.) Suppose, for example, a member started working in 1930 and retired in 1950 and that during the member's entire 20-year career the member received special pay for speaking a foreign language on the job. The statute of limitations will prevent LACERA from increasing the member's retirement allowance for the period from 1950, when the member retired, to **May 1995**. The Board of Retirement must consider whether it is fair to require the member to pay contributions on the special pay all the way back to 1930, for the member's entire 20-year career.

Faced with these difficult challenges, LACERA staff is working with the system's actuary to develop a process for implementing the judgment in a way that will avoid having to calculate adjusted allowances for each of the over 40,000 retirees potentially covered by the judgment. We are also seeking the actuary's advice in determining whether and to what extent arrears contributions should be required.

Any proposed implementation plan submitted to the Board of Retirement will first be reviewed with legal counsel representing the members in the litigation, and the plan ultimately approved by the Board of Retirement will have to be submitted to the Court for the Court's approval.

We know our retirees are anxious to receive any adjusted allowances they may be entitled to. LACERA is working diligently to complete this project at the earliest possible date. 

Article revised March 8, 2004

Message from the CEO cont'd from pg. 2

Interesting Retiree Statistics

- Currently, approximately 40,000 retirees and 7,000 survivors receive LACERA benefits.
- From 2002-2003, we paid retirees and survivors over \$1.3 billion, or \$108 million per month.
- The average retiree allowance is \$2,700 per month, and the average survivor allowance is \$1600 per month.
- Of current retirees, the earliest retirement date is January 1950.

- There are 29 retirees and survivors who are centenarians, and one of our retirees is 111 years old!

Statistics show that retirees are living longer and longer. For some, that means the opportunity to begin a whole new career, travel the world, and volunteer. Others look at retirement as an opportunity to kick back, relax, and enjoy the simple life. However you plan to spend your retirement, don't wait until the month before your last day of work to start thinking about life without your County job. You've probably heard it a million times before, but

time has a tendency to creep up on you. Don't retire without a plan!

Review Your Plan Booklet

Take a few moments to review your plan booklet if you haven't looked at it for a while. Flip to the back, look up your age and years of service, and consider how much money you'll get when you retire. If you can't find your plan booklet, pay a visit to www.lacera.com to reference it online. Also, new plan booklets will be sent to you this year with updated plan information. Remember: No matter how old you are, retirement is in your future. 

LACERA Financial Report

LACERA is continually planning for your future. The Popular Annual Financial Report (PAFR), enclosed with this issue of *PostScript*, gives you a summary of the financial strength of LACERA's fund (more than \$26 billion) as of June 30, 2003. Read through the PAFR to learn all about the progressive accomplishments of your fund. The PAFR reviews revenues and expenses, investment performance, asset allocations, funding status, and membership growth. Despite recent fluctuations in the stock market, LACERA continues to manage a very healthy fund.

LACERA is always searching for

ways to improve customer service and build a better retirement fund for your future retirement. We are pleased to present the 2003 Popular Annual Financial Report for your review. 



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