

P.S.

# POST SCRIPT

NEWS FOR ACTIVE MEMBERS

MARCH 2009 VOL. 20 NO. 1

## Learn Ways to Maximize Your Retirement at a LACERA Workshop



*Unsure of how to best prepare for retirement? We're here to help!*

We know preparing for retirement can be complicated and confusing. Understanding the options and strategies available to you will give you the power to make smart choices and gain the greatest available advantage in retirement for yourself and your family.

**The easiest way to become familiar with the full potential of your LACERA retirement plan and determine the retirement strategy best suited to your situation is to attend a free Pre-Retirement workshop.** The workshops explain an array of issues critical to retirement planning; topics include:

- Retirement eligibility
- Selecting your official retirement date, COLA, and other variables that may impact your retirement allowance
- Purchasing service credit
- Additional Retirement Credit (ARC)
- LACERA-administered retiree health care program

If you register and attend a workshop at LACERA's Pasadena office, you'll receive a personalized estimate of your retirement benefits, including customized recommendations for selecting the most advantageous retirement date. At the workshop, you'll also have an opportunity to review your estimate, one-on-one,

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Pre-Retirement Workshop  
Schedule on [lacera.com](http://lacera.com)



**Los Angeles County Employees Retirement Association**

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Assistant Executive Officer

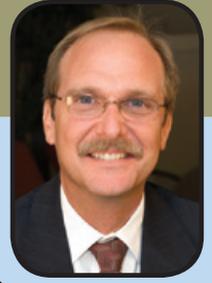
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**JANICE GOLDEN**

From the **EXECUTIVE DESK**

Gregg Rademacher—CEO, LACERA



# LACERA Remains Well-funded and Able to Meet Its Long-term Obligations

In these days of economic uncertainties, you can take comfort in knowing your LACERA benefits are secure. Despite market volatility, LACERA remains well-funded and financially strong. **We will pay your benefits as promised.**

LACERA's investment strategy is prudent and focused on the long term. Our Board of Investments is committed to an Investment Policy that broadly invests (diversifies) the fund's assets to reduce the risk associated with market volatility. In keeping with that policy, our portfolio is sensibly structured to flourish during hearty bull markets and weather the challenges of bear market cycles. Investments are based on a moderate 7.75 percent assumed rate of return. Over the past several years, our investment returns have exceeded that assumption.

Day-to-day management of the fund portfolio is conducted by professional external investment firms. LACERA's Investment staff carefully monitors market activities and keeps the Board of Investments apprised of any notable events.

**Your retirement benefits are a vested right.** As you know, when you retire your LACERA allowance will be based on three factors: your age at retirement, your length of service, and your final compensation. Because all LACERA plans are defined benefit plans, your LACERA benefits will not be affected by market conditions.

Let me close by reminding you the good news is LACERA is well-funded and is able to meet its long-term obligations. You can count on us to continue to fulfill our mission to produce, protect, and provide the promised benefits.

*“We will pay your benefits as promised.”*

# A Word about Retiree Cost-of-Living Adjustments



Since March is the most popular retirement month, we thought we'd explain retiree cost-of-living adjustments (COLA) and discuss how they are impacted by the economic climate.

To protect retirees' monthly allowances against inflation, the law provides for annual cost-of-living adjustments (COLA). California Government Code mandates that each year, prior to April 1, the Board of Retirement (BOR) will determine whether there has been an increase or decrease in the cost of living, as reflected in the Bureau of Labor Statistics Consumer Price Index (CPI). When the BOR determines the cost of living has increased, it grants a COLA that increases monthly allowances.

The law also sets an annual maximum COLA increase for each plan. The maximum allowable increase for Plan A is 3.0 percent, the maximum allowed in Plans B, C, D, and E is 2.0 percent.

If the COLA percentage exceeds the maximum allowable, the excess percentage is accumulated to supplement future COLA benefits. The accumulated percentage carryover is known as the **COLA Accumulation** (think of it as a COLA bank). The longer you are retired (or receiving a survivor's allowance), the more COLA carryover you will accumulate (in other words, the higher the balance in your COLA bank).

The COLA Accumulation comes into play during periods of deflation (persistent decline of prices) and during times when inflation (persistent increase of prices) is less than the maximum allowable COLA increase.

During such periods, LACERA withdraws from the COLA Accumulation to "fund" any COLA decreases or to offset any shortfalls to maximum allowable increases.

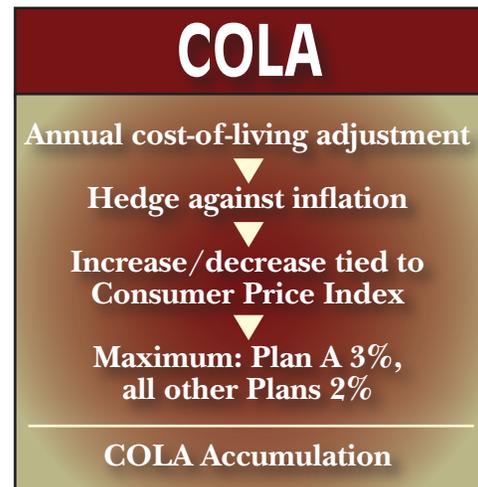
### If the Cost of Living Remains Unchanged

If there is no change in the cost of living from the prior year, no COLA adjustment (or zero COLA) will be granted. *This is actually what happened this year.* The Bureau of Labor Statistics announced the applicable 2008 CPI percentage change over the prior year (December 2007 - December 2008) is 0.1 percent.

When rounded in accordance with the law, the percentage becomes zero. Based on that, in February the BOR announced a zero COLA would apply for 2009.

### Let's Explore How This Affected LACERA Retirees and Survivors

Those who had accrued COLA



Accumulations equal to or in excess of the maximum allowable increase in their plans received the full 2 or 3 percent (depending on their plan) increase to their allowances. To fund these increases, LACERA withdrew the applicable 2 or 3 percent from each member's COLA accumulation.

Retirees whose COLA Accumulations were insufficient to fund the maximum increase received an increase limited to

EXAMPLE 1: PLAN A RETIREE*		
COLA Accumulation (Bank)	=	1.5%
CPI Change	=	0%
Maximum Allowable Increase	=	3%
Withdrawal from COLA Bank to fund increase	-	1.5%
New balance of member's COLA Accumulation (Bank)	=	0%
Amount of increase to member's monthly allowance	=	1.5%

\*Data also applies to survivors of members who died during that period.

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# Annual Offsite Meeting Educates LACERA Boards and Management

## Education plays a critical role in LACERA's philosophy and operations.

We believe our members are best served by thoughtful and knowledgeable Boards and staff. In keeping with this philosophy, every

January we hold an offsite educational and fiscal planning conference at a local venue for LACERA Board members and management. This year's event featured guest speakers who made presentations on legislative,

fiduciary, risk reduction, and investment matters. LACERA personnel also discussed current policies, projects, and future goals.

## Highlights of the event include:

- **Strategic Planning:** LACERA CEO Gregg Rademacher explored the value of strategic planning as a management tool.
- **Retirement Goals:** Assistant Executive Officers, Robert Hill and Janice Golden outlined LACERA's short, mid-range, and long-term goals.
- **Legislative Update:** Lobbyist Joe Ackler discussed the mood in Sacramento as it relates to retirement legislation.
- **Fiduciary and Ethics Fundamentals for Board Trustees:** Ashley Dunning of Manatt, Phelps & Phillips, LLP reviewed matters associated with LACERA's fiduciary obligation to act in the best interest of the retirement fund.
- **Market Value of Liability and Liability Driven Investing:** Paul Angelo of the Segal Company educated the audience on how these concepts could impact public pension funds.
- **Economic and Financial Market Overview:** Paul McCulley of Pacific Investment Management Company and Howard Marks, chairman of Oaktree Capital Management discussed the ongoing financial crisis and their views on economic growth.
- **Asset-Liability:** Wilshire Associates explored LACERA's liability structure and how various asset allocation policies could impact the long-term relationship between assets and liabilities.
- **FASB 157:** Robert McMullan, managing director of The Blackstone Group defined fair value accounting and its impact on the current market environment.

LACERA values education and open communication. They are ideals that help us sustain our ability to produce, protect, and provide the promised benefits.

## FEEL GOOD FACTS

# Happiness. Have You Been Infected?



*Not everything you can catch from the people around you requires medical attention.* A new study by researchers at Harvard University and the University of California, San Diego shows **happiness is contagious** within a social network.

Researchers found when a person is happy, the chance of a friend living nearby becoming happy increases by 25 percent; a spouse's likelihood of becoming happy increases by

8 percent, while the next-door neighbor's chances are boosted by 34 percent.

"Everyday interactions we have with other people are definitely contagious, in terms of happiness," according to Nicholas Christakis, a professor at Harvard Medical School and an author of the study.

The chain reaction of happiness extends beyond direct contacts. When

one person is happy, the emotion can be spread to those as far as three degrees removed; even friends of the happy person's friends can be affected.

Happiness. You can catch it anywhere!

*The study was published in the British Medical Journal.*

*Source: npr.com*

SOMETHING TO  
SMILE ABOUT

# Michael Schneider and John Barger Join the Board of Investments

LACERA welcomes Michael Schneider and John McLeod Barger to the Board of Investments (BOI).



**Michael Schneider** returns to the BOI with a distinguished record of prior BOI service, having served as its chair in 2007 and vice chair from 1998-1999.

His vast and notable business background includes ownership of a Los Angeles C.P.A. firm specializing in the real estate and entertainment industries. Mr. Schneider is also the co-founder of Aluminum Recycling Company, Inc., the nation's largest aluminum can recycler. A licensed C.P.A., he holds a bachelor's degree in accounting from UCLA and a master's degree in Quantitative Business Analysis from USC.



**John Barger** comes to the BOI with extensive experience in matters of law and finance, as well as experience in public policy. His background includes involvement with all major asset classes of investments, along with other investment vehicles. Mr. Barger's public sector service includes work with the Home Loan Bank System and time spent as a Deputy County Supervisor.

His impressive credentials include a law degree from Hastings College of Law and a master's degree in Economics and Finance from the London School of Economics.

Both BOI members were appointed by the Board of Supervisors. Additional information about the BOI and its members is available on [lacera.com](http://lacera.com).

## PostScript - It's YOUR Newsletter Tell us what you think!



Please take a moment to take our survey; complete the enclosed postage paid postcard or take the survey on [lacera.com](http://lacera.com) Thanks!

## lacera.com

## View the Latest LACERA Brochures and Forms Online

If you want to look something up in one of LACERA's various brochures, get a copy of a plan brochure, or an updated LACERA form, it only takes a couple of clicks to access the material you need. **Most LACERA printed materials are available on the Brochures & Forms page of lacera.com.**



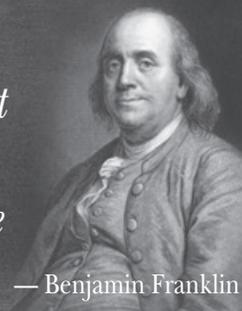
Some of the materials available include:

- Pre-Retirement Guide
- Purchasing Service Credit: Q&A brochure and application form
- Beneficiary Designation form
- Plan Summary Description brochures
- LACERA's Special Durable Power of Attorney brochure and application form

**The Brochures & Forms page is a great resource.** It is continually updated to provide you with the most recent versions of LACERA print materials. You can find a link to the page in the left hand navigation bar on every web page.

### Quote:

*"An investment in knowledge always pays the best interest."*



— Benjamin Franklin

# Switch to Digital TV Postponed to June

The Los Angeles County Board of Supervisors has encouraged all County Departments to publicize the following government TV Converter Box Coupon Program.

The switch from analog to digital television, originally scheduled for February 17, 2009 has been postponed to June 12. This gives anyone with an analog TV that uses “rabbit ears” or a

rooftop antenna four additional months to purchase a TV converter box (or subscribe to cable or satellite TV service or purchase a TV with a digital tuner). The cost of the box, which plugs into your TV and allows the set to continue working after June 12, ranges between \$40 and \$70. **For information on coupons worth \$40 toward a converter box purchase, call 1-888-388-2009**

or visit [www.dtv2009.gov](http://www.dtv2009.gov).

As of press time, according to [dtv2009.com](http://dtv2009.com), coupon requests were being placed on a waiting list, pending funding from the American Recovery and Reinvestment Act of 2009.



## LACERA Workshop cont'd from pg. 1

with a LACERA Retirement Benefits Specialist. The workshops at LACERA may also include presentations by representatives of Great West and long-term care providers.

We recommend you **attend this workshop approximately five years before your desired retirement**

**date** and again two years prior. Call **1-800-786-6464** to register for a Pre-Retirement Workshop; your loved one is welcome, too. Workshops are held at LACERA on most Tuesdays and a limited number of Saturdays. LACERA also holds a limited number of Saturday workshops at various

County locations. Check the Workshop Calendar for specific dates and locations.

For the latest information on LACERA workshops, visit the Benefits section of [lacera.com](http://lacera.com).

**Call 1-800-786-6464 to RSVP.**

## PRE-RETIREMENT WORKSHOP SCHEDULE

### MARCH 2009

S	M	T	W	T	F	S
1	2	S	4	5	6	G
8	9	G	11	12	13	14
15	16	17	18	19	20	21
22	23	G	25	26	27	28
29	30	31				

### APRIL 2009

S	M	T	W	T	F	S
			1	2	3	G
5	6	S	8	9	10	G*
12	13	14	15	16	17	18
19	20	G	22	23	24	25
26	27	28	29	30		

### MAY 2009

S	M	T	W	T	F	S
					1	2
3	4	S	6	7	8	9
10	11	G	13	14	15	16
17	18	G	20	21	21	23
24	25	G	27	28	29	30
31						

G = General Members S = Safety Members

Workshops are held at LACERA from 8:30 - 11:30 AM and may include presentations by Great West and long-term care providers.

\*Workshop at Lancaster Regional Library, 11:30 AM - 1:30 PM, 601 W. Lancaster Blvd., Lancaster, CA 93534. Does not include non-LACERA presentations.

## Upcoming Holidays!

LACERA will be closed on Monday, May 25 in observance of Memorial Day.



## Cost-of-Living Adjustments cont'd from pg. 3

the amount “on deposit” in their COLA Accumulations. Example 1 illustrates a Plan A member who retired between April 1, 2006 and March 31, 2007.

If the CPI remains unchanged next year, the retiree in Example 1 will not receive an increase in 2010, because his or her COLA Accumulations have been totally depleted. If the CPI increases next year, that retiree will receive an increase; if the increase is in excess of the maximum allowable, the excess will be “deposited” in his or her COLA Accumulations.

**Most COLA adjustments are increases; however, decreases are possible.** Due to inflation, COLA adjustments are typically applied as increases. However, if the CPI decreases from one year to the next, it is possible for the COLA adjustment to be applied as a decrease. **Note: The law dictates a cost-of-living decrease may not reduce a member’s or survivor’s allowance to an amount less than the member/survivor received on the effective date of the allowance.** Only past COLA increases could ever be subject to a decrease.

**A decrease to a retiree’s allowance can only occur if the amount in the retiree’s COLA Accumulation is insufficient to offset the amount of the COLA decrease.** If the retiree has anything in his or her COLA Accumulation, LACERA will withdraw

### EXAMPLE 2: HYPOTHETICAL RETIREE WITH COLA ACCUMULATION LESS THAN AMOUNT OF CPI DECREASE\*

COLA Accumulation	=	1.2%
COLA Adjustment	=	(-1.5)
Percentage Deducted from Allowance	-	(0.3)
Percentage of Adjustment Offset by Accumulation	=	1.2
Remaining Balance of COLA Accumulation	=	0%

the available amount to partially “fund” the decrease. The remaining portion of the decrease will be deducted from the retiree’s allowance. To date, this has not occurred, so let’s consider a *hypothetical* example using a COLA decrease of 1.5 percent:

**In Example 2**, the retiree’s allowance would be reduced by 0.3 percent, rather than the full -1.5 percent of the COLA adjustment; the difference would be offset by the 1.2 percent COLA accumulation. The offset would reduce the retiree’s COLA Accumulation to zero.

### Why All This Is Important to You

By now you might be thinking, *I’m not retired, why do I care about all this?* If you are close to retirement, **given the uncertainties of the current economy, it is important you understand you cannot automatically assume you will**

**receive a COLA increase when you retire.** Anyone who retires prior to March 31, 2009 will not receive a COLA increase for 2009. In addition, they will begin retirement with zero COLA Accumulation. Therefore, if the CPI decreases or even remains unchanged at the end of this year, those retirees will not receive a COLA increase in 2010 either.

**Visit [lacera.com](http://lacera.com) to learn more about COLA.** For questions regarding your retirement account, call 1-800-786-6464 to speak with a LACERA Retirement Benefits Specialist.

For information regarding financial or legal matters, consult a professional advisor. LACERA does not offer financial or legal advice.

\*Data also applies to survivors of members who died during that period.

## Did You Know?

### Defined Benefit (DB) Plans

Your retirement benefit amount is determined by your final compensation, years of service, and age at retirement.

### Defined Contribution (DC) Plans

The benefit amount is determined by investment performance and amount of contributions.

## NEWSLETTER HIGHLIGHTS



### PG 3

Since March is the most popular retirement month, we thought we'd explain retiree cost-of-living adjustments (COLA) and discuss how they are impacted by the economic climate.



### FRONT PG

If you register and attend a workshop at LACERA's Pasadena office, you'll receive a personalized estimate of your retirement benefits.

More Inside!  
**March 2009**

### Editor's Note:

*PostScript* is published by the staff of LACERA. Signed articles represent the opinion of the writers and not necessarily the opinion of LACERA Management, Board of Retirement, or Board of Investments. Consult with professional advisors regarding legal, tax, and/or medical matters; LACERA does not offer legal, tax, or medical advice.

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