

P.S.

POST SCRIPT

NEWS FOR ACTIVE MEMBERS

DECEMBER 2012 • VOL. 23, NO. 4

Pension Reform Law Takes Effect January 1st

Interpretation of how the California Public Employees' Pension Reform Act of 2013 (PEPRA) applies to LACERA and the manner in which applicable provisions will be implemented is still evolving and may change in the days and months ahead. It is important to understand that the information presented herein is based on our current understanding and is subject to change as more information becomes available.

LACERA is currently governed by the County Employees Retirement Law of 1937 (CERL). As of January 1st, we will also be governed by PEPRA, which can be found in the California Government Code. Our staff is currently working with the

County CEO's office to analyze the law and determine which sections will apply in Los Angeles County and how they will be applied.

Basically, **PEPRA affects new LACERA members** on or after January 1, 2013 through provisions affecting benefit formulas, the definition of what comprises pensionable earnings, limits on pensionable earnings, and other matters. The new law also calls for new members to pay 50 percent of the normal cost of benefits and strengthens the rules involving pension forfeiture for public employees and elected officials who commit job-related felonies.

Although most PEPRA provisions affect new LACERA members, a few sections do apply to current members:

- Elimination of ARC
- Retirees returning to temporary County service
- Public employees or elected officials convicted of job-related felonies

IN THIS ISSUE

- 2 From the Executive Desk
- 4 Defining "New Member" Under PEPRA
- 4 PEPRA Tightens Pension Forfeiture Rules for Public Employees Convicted of a Job-Related Felony
- 5 PEPRA Affects Retirees Returning to Temporary County Service
- 5 FAQs: PEPRA and ARC
- 6 3 Things
- 7 Legislative Update
- 7 Board Election Results

PEPRA

PUBLIC EMPLOYEES' PENSION REFORM ACT

PEPRA information continues on page 4

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From the **Executive Desk**

Gregg Rademacher – CEO, LACERA



The Year in Review

2012 has been a year of both accomplishment and change. As always, the scope and quality of the service we provide our members remained high on our priority list. With that in mind, during the year we completed several projects designed to enhance and expand our member services.

Call Center Expansion

To increase our capacity to accommodate a greater volume of member calls, we expanded our Call Center. Our remodeled facility can now accommodate as many as 32 Retirement Benefits Specialists (the old facility accommodated a maximum of 19 specialists). The new Call Center also features soundproofing, which alleviates any distracting outside noise to improve the experience for callers as well as our Retirement Benefits Specialists. We believe these improvements have equipped our Call Center to keep pace with the ever-increasing volume of member calls.

New Member Service Center

Goodbye, Public Counter. In September, we completed the

remodel of the department we used to call our Public Counter. As many of you know, our Public Counter was the area in which our members could meet individually with a Retirement Benefits Specialist to receive personalized retirement counseling. The name "Public Counter" dated back to the time when LACERA was housed in the Hall of Administration in downtown Los Angeles, where members seeking information stood shoulder to shoulder at one long counter. The setup provided no privacy, which meant discussions involving personal member information could be heard by anyone standing nearby.

LACERA moved to our current headquarters in Gateway Plaza in Pasadena in 1991. Over time, the Public Counter evolved into an area equipped with two offices and eight cubicle sections where members could meet with Retirement Benefits Specialists. While the cubicles provided separate areas for individual counseling, they did not provide complete privacy.

The workshop room, where our Outreach Team presented new member, mid-career, and pre-retirement workshops, was

cont'd on pg. 3

Executive Desk cont'd from pg. 2

adjacent to the old Public Counter area. As our workshops continued to gain popularity, the demand outgrew the room's seating capacity.

Hello, Member Service Center.

Our new and expanded Member Service Center encompasses 2,500 more square feet than our previous Public Counter. The new facility is equipped with 16 fully enclosed counseling offices where members can discuss their personal information in complete privacy.

Our aim is to serve members as efficiently as possible, but the Member Service Center will still be busier at some times more than others. Here's a tip for you: To avoid waiting, the best time to visit is between 7 a.m. and 10 a.m., or from 2 p.m. to 4 p.m.

The new facility also includes an expanded workshop room with tables and comfortable chairs that seat 30 people. Our Member Service Center has been designed, equipped, and staffed to live up to its name.

New My LACERA Features

In response to member feedback, we challenged our Systems Division to create an easy registration and sign-in process for My LACERA without sacrificing the security we require — and our programmers rose to the occasion! In late July, thanks to their expertise and ingenuity, we

were able to replace the third-party Safe2Login system with an easy-to-navigate, highly secure registration and sign-in process.

Based on recent My LACERA registration stats, our members have found the new registration process and sign-in to their liking. My LACERA registrations in August 2012 exceeded August 2011 registrations by 60 percent, while September 2012 registrations skyrocketed by 245 percent over those of September 2011!

During the year, we also expanded the features on My LACERA to allow active members to change and store up to three phone numbers and to allow retirees to register their retirement allowances for direct deposit and store and change up to three phone numbers and addresses.

Pension Reform

As public interest and the surrounding debate regarding pension reform reached a crescendo this year, I was reminded of the quote attributed to the Greek philosopher Heraclitus, "There is nothing permanent except change." The County Employees Retirement Law of 1937 (CERL), the law upon which LACERA was founded and has successfully operated since its inception in 1938, is one such example.

On September 12, 2012, Governor Brown signed the California Public

Employees' Pension Reform Act of 2013 (PEPRA). As of January 1, 2013, LACERA will be governed by both PEPRA and CERL. As I write this, our Legal Office, County Counsel, and the County CEO's office are pouring through the document to determine which provisions of the 60-page law apply to LACERA. Due to the law's length and complexity, accurately analyzing it is a lengthy process. **Interpretation of PEPRA is evolving and may change as more information becomes available.**

LACERA is committed to keeping our members updated with the latest PEPRA information, as we know it. Please keep in mind that our understanding of PEPRA is a fluid process. As we review the language of PEPRA, we are also consulting with other CERL-governed retirement systems and communicating with employee groups.

In November, we mailed a special PEPRA newsletter to all active members. Please read "Pension Reform Law Takes Effect January 1st" on page 1 for our latest PEPRA analysis. We will update lacera.com as new information becomes available.

In Closing

Yes, the past year has brought both accomplishment and change. I can assure you that as we move forward, we will continue to accomplish our mission, which is to produce, protect, and provide

cont'd on pg. 6

Defining “New Member” Under PEPRA

The majority of the provisions in the California Public Employees’ Pension Reform Act of 2013 (PEPRA) affect new LACERA members on or after January 1, 2013. Here’s a chart explaining what constitutes a new member under PEPRA:

WHO IS A “NEW MEMBER” UNDER PEPRA?

	New Member	Current Member
Active member of LACERA prior to January 1, 2013	No	Yes
Deferred member of LACERA prior to January 1, 2013	No	Yes
An individual who becomes a member on or after January 1, 2013 who is eligible for reciprocity based on membership in a reciprocal system on or before December 31, 2012	No	Yes
Former member of LACERA who terminated membership and withdrew his or her accumulated contributions prior to January 1, 2013 and later returns to County service and is eligible to redeposit	No	Yes

The chart above illustrates the basics of what constitutes a new member under PEPRA. Other rules apply. Contact LACERA for details.

PEPRA Tightens Pension Forfeiture Rules for Public Employees Convicted of a Job-Related Felony

California Government Code section §7522.70, currently in effect, provides for the forfeiture of all retirement rights and benefits by any elected public officer convicted of any felony arising directly out of his or her official duties. However, the statute contains a provision that allows a convicted official to receive his or her retirement benefits if the governing body of the elected official’s employer so authorizes. **PEPRA of 2013 broadens section**

§7522.70 as of January 1, 2013 and establishes pension forfeiture, without exception, for all public employees convicted of a job-related felony. PEPRA of 2013, section §7522.76 establishes pension forfeiture for any public employee first employed, elected, or appointed to an office before January 1, 2013. PEPRA of 2013, section §7522.74 establishes pension forfeiture for any public employee first employed, elected, or

appointed to an office *after* January 1, 2013. Both sections require the forfeiture of “all accrued rights and benefits in any public retirement system” by any public employee convicted of any felony “for conduct arising out of or in the performance of his or her official duties, in pursuit of the office or appointment, or in connection with obtaining salary, disability retirement, service retirement, or other benefits.” No exceptions apply.

Our understanding of PEPRA and how it affects LACERA is subject to change as more information becomes available. For PEPRA updates, visit lacera.com.

PEPRA Affects Retirees Returning to Temporary County Service

Overview: The "120-Day Rule"

Under CERL, the County may hire a LACERA retiree, who the employer believes possesses special skills or knowledge, on a temporary basis.* The eligible retiree may return to County work for a period of up to 120 days (960 hours in any July 1-June 30 fiscal year) and continue to receive his/her retirement allowance. During this post-retirement employment, the retiree will not accrue any additional LACERA pension benefits, nor will he or she or the employer pay contributions for this service. To protect our tax-qualified status, LACERA maintains a minimum 90-day waiting period for a retiree under the Normal Retirement Age.** **These conditions are unchanged under PEPRA.**

New Requirements under PEPRA

In addition to these provisions, PEPRA of 2013, section §7522.56 allows the County to **hire a**

LACERA retiree, on a temporary basis, during an emergency. It also changes a number of the requirements pertaining to the "120-Day Rule." Effective January 1st, the following four rules apply to all retirees, regardless of retirement date:

1. **Retirees must wait 180 days from their date of retirement** before returning to work for the County on a temporary basis, except under either of the following conditions:
 - If the employer can certify it is necessary to fill a critically needed position and the hiring has been approved by the Board of Supervisors (or the Board of Retirement for LACERA positions) in an open meeting.
 - If the retiree is a public safety officer or firefighter.
2. During his or her temporary employment, the retiree shall be paid at a rate not less than

- the minimum nor greater than the maximum rate paid by the County to other employees performing comparable duties.
3. Any retired person who, during the 12-month period prior to a temporary appointment described in this section, has received unemployment insurance resulting from prior County employment, is not eligible to be employed and would have to wait 12 months before being eligible. Upon accepting an offer of employment, a retiree must certify in writing that he or she is in compliance with this requirement.
 4. The County cannot hire a LACERA retiree as a contract employee.

**Members who received an Early Separation Program (ESP) payoff or other similar retirement incentive are not eligible for rehire.*

***Visit the Benefits, Retired Member section of lacera.com for more about the waiting period and Normal Retirement Age.*

1. Q: Are purchases of Additional Retirement Credit (ARC) prohibited for current members?

A: Yes. All LACERA members, regardless of hire date, will be prohibited from purchasing Additional Retirement Credit (ARC) as of January 1, 2013.

2. Q: Is there still time for me to purchase ARC before PEPRA takes effect?

A: Yes, but hurry! If you are considering an ARC purchase, you must take action by December 31, 2012. Applications to purchase ARC received by LACERA after that date cannot be honored.

3. Q: Will PEPRA affect my existing ARC purchase contract?

A: Existing ARC contracts are not affected by PEPRA but will continue to adhere to LACERA's established rules.

4. Q: How can I find out more about ARC?

A: To learn more about ARC, visit the Benefits, Active Member section of lacera.com and/or read the Q&A: *Purchasing Additional Retirement Credit* brochure available on the Brochures & Forms page of lacera.com; or call LACERA at 800-786-6464. A letter announcing the upcoming discontinuation of ARC and the procedure and deadline to purchase it was mailed to all active LACERA members in October.

WORKSHOP SCHEDULE

DECEMBER 2012

S	M	T	W	T	F	S
						1
2	3	S	5	6	7	8
9	10	G	12	13	14	G*
16	17	G	19	20	21	22
23	24	H	26	27	28	29
30	31					

JANUARY 2013

S	M	T	W	T	F	S
		H	2	3	4	5
6	7	G	9	10	11	12
13	14	G	16	17	18	19
20	H	G	23	24	25	26
27	28	G	30	31		

FEBRUARY 2013

S	M	T	W	T	F	S
					1	2
3	4	S	6	7	8	9
10	11	G	13	14	15	16
17	H	G	20	21	22	23
24	25	G	27	28		

G = General Members Pre-Retirement
S = Safety Members Pre-Retirement
H = Holiday

*Saturday, December 15, 2012 (G): 9:00 a.m. – Noon; San Dimas Library; 145 N. Walnut Ave., San Dimas, CA 91773.

Does not include presentations by Great-West or long-term care providers. General information only – no personalized estimates or one-on-one consultations.

Call 800-786-6464 to Register

Unless otherwise indicated, workshops are held from 8:30 a.m. - 11:30 a.m. Most include presentations by Great-West and long-term care providers. New Member workshops run from 3:00 p.m. - 4:00 p.m.

Executive Desk cont'd from pg. 3

the promised benefits to our members and their beneficiaries. That will not change.

In 2013, we celebrate LACERA's 75th anniversary. More about that in the next issue....

On behalf of everyone here at LACERA, I wish you all a joyous holiday season.



3 THINGS Sweet Holiday Histories

Ever wonder why certain traditional treats are offered during the holiday season? Here are three histories, short and sweet:

- ◆ The first gingerbread man is credited to the court of Elizabeth I of England, who favored important visitors with charming gingerbread likenesses of themselves.
- ◆ In the 1920s, Loft's, a Manhattan-based candy company, produced the first chocolate gelt, wrapped in gold or silver foil.
- ◆ In 1670, the Cologne Cathedral's choirmaster persuaded local German confectioners to make sticks of candy bent at the end to represent shepherds' crooks – we know them as candy canes – which he passed out to children to ensure their good behavior as they sat in the cathedral.



“Year’s end is neither an end nor a beginning, but a going on with all the wisdom that experience can instill in us.”

— Hal Borland

Legislative Update

The following is a brief summary of new laws that are effective January 1, 2013

AB 340 – On September 12, 2012, Governor Brown signed this complex bill which enacts the California Public Employees' Pension Reform Act of 2013 (PEPRA) and imposes new reforms on members of state and local public retirement systems. While most of this bill affects those who become new members on and after January 1, 2013, some provisions impact current LACERA members and retirees.

Non-reciprocal **new** members who become LACERA members on and after January 1, 2013 will be subject to new lower retirement formulas, a dollar cap (tied to a Social Security wage index) on compensation that can be counted towards their pension, and a 36-month final average compensation period. Other provisions eliminate non-base pay from being used to

calculate a member's pension. Also required is equal cost sharing of normal costs between the employer and employee; this prohibits employers from paying any part of the required employee contribution and eliminates the cancellation of contributions after 30 years of service for new safety members.

For all employees, purchases of non-qualified service purchases (ARC) will be eliminated after January 1, 2013, and retroactive pension increases will be prohibited.

There are new rules for retired annuitants who return to work without reinstatement. In addition, public officials and employees will forfeit their pension for certain felony convictions. Compensation used to calculate pensions may exclude some pay items which were previously included.

Other provisions of AB 340 prohibit retroactive benefit enhancements and eliminate contribution holidays.

LACERA is working closely with Los Angeles County and our strategic partners to interpret and communicate how this bill will impact our members.

AB 2664 – LACERA recognized that advances in technology and a desire to provide continued service to our members required legislation before members could perform and execute various functions through our website. Working with the State Association of County Retirement Systems (SACRS), this idea was proposed and retirement systems will soon be able to accept electronic signatures with the same force and effect as a signed, valid original document.

The LACERA Board Election Results Are In – Congratulations!

The winners of the July 31, 2012 election for seats on LACERA's boards will each serve a three-year term, beginning January 1, 2013.

Board of Investments

We are happy to announce that Herman B. Santos has been reelected by general members to serve another term. A member of the Board of Investments since 2004, Mr. Santos has served two terms as Chair of the Board of Investments, Chair of the board's

Corporate Governance Committee, and Vice Chair of the board's Audit Committee. In his longstanding commitment to serving Los Angeles County, Mr. Santos continues to offer his years of expertise in protecting the Fund.

Board of Retirement

LACERA welcomes Vivian H. Gray,

elected by general members, to the Board of Retirement. Look for our introduction of Ms. Gray in the March 2013 *PostScript*.

The LACERA election results were declared official by the Los Angeles County Board of Supervisors at its September 24 meeting.

Interested in LACERA's Financial Condition and Fiscal Year Accomplishments?

Here's your opportunity to learn more about LACERA's finances: Take a look at the enclosed 2012 Popular Annual Financial Report (PAFR). Want more information? Our full Comprehensive Annual Financial Report will be available on lacera.com in January.

Need to See Us In Person?

We invite you to drop by LACERA's all new **Member Service Center**, featuring private offices to better accommodate our members, in the lobby of Gateway Plaza, at 300 N. Lake Avenue, in Pasadena. Hours are 7:00 a.m. to 5:00 p.m., Monday through Friday.

Open Your Mail!

When mail comes from LACERA, grab the letter-opener! If we've sent mail, it is something about which LACERA is legally required to inform you, time-sensitive material, or information that is critical to your retirement years. LACERA does not send advertising material or junk mail.

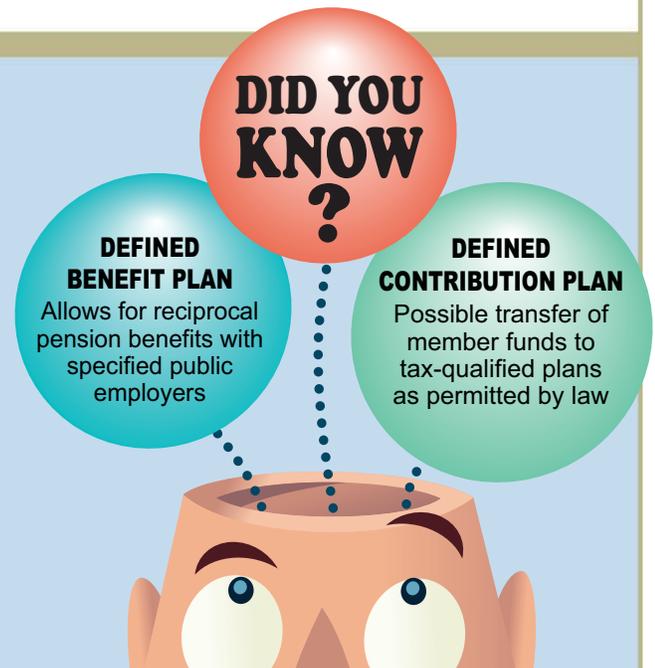
It pays — sometimes literally — to know what's going on. The best way to avoid being caught off guard by legislative changes that impact your retirement planning, being unprepared for tax season, or a hold on your monthly allowance: **Please read your LACERA mail!**



Upcoming Holidays

LACERA will be closed:

- **Tuesday, December 25** for Christmas Day
- **Tuesday, January 1**, for New Year's Day
- **Monday, January 21**, for the Birthday of Martin Luther King, Jr.
- **Monday, February 18**, for President's Day



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.

LACERA Communications, PO Box 7060, Pasadena, CA 91109-7060 800-786-6464 email: welcome@lacera.com

Writers: Barbara Gordon, Jennifer Carter Designer: Allen Helbig Editor: Jeannine Smart