NEWS FOR RETIRED MEMBERS

Welcome (and Welcome Back) New Board

of Retirement Members

LACERA is pleased to welcome two new members to the Board of Retirement. Mr. John Fleming was elected to take the retiree seat left open by the passing of Robert A. Stotelmeyer, and Richard Wirth was appointed by County Mayor Antonovich to take the seat left open by the passing of Michael L. Falabrino. Both men were welcomed to their first Board meeting on August 1, 2001.

In addition to our new Board members, <u>Les Robbins</u> has been reelected to the Board of Retirement by Safety members and <u>Will Pryor</u> has regained his position as alternate Safety member on the Board. Their new terms will begin in January 2002, at the first meeting of the Board. A very warm welcome (and welcome back) to everyone!

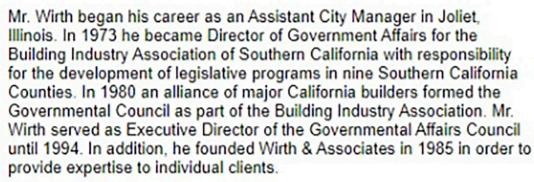


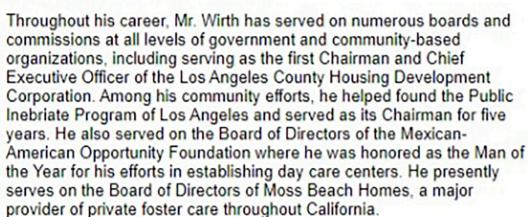
Les Robbins

Richard R. Wirth

Mr. Wirth is president of Wirth & Associates, a governmental relations firm with expertise in the process of government. While specializing in working with local governments throughout California, Wirth & Associates also provides services to clients relative to Federal and State of California issues.

Mr. Wirth received his undergraduate degree from Northern Illinois University. He did graduate work at Southern Illinois University and Interamericana University in Saltillo Mexico. He studied law at Santa Clara University.







Will Pryor

Richard Wirth

John Fleming

John F. Fleming

Mr. Fleming served as a Legislative and Retiree Liaison staff representative for the Los Angeles County Professional Peace Officers Association, a position he held for 11 years from 1987 to 1998. In this capacity, his duties consisted of lobbying interests at state level and retiree representation in the nature of individual problem solving. He is also a member of the Board of Directors of the RELAC, a position he has held since 1985.

Mr. Fleming graduated from Cerritos College in 1958 where he received his AA Degree in Police Administration, and also attended Long Beach State College. He has earned a Lifetime Vocational Teaching Certificate, a State of California Advance Peace Officers Standards & Training (P.O.S.T.) Certificate, a State of California Community Relations Advance P.O.S.T. Certificate, and was a registered California state lobbyist. In 1953 Mr. Fleming entered the Los Angeles County Sheriff's Department, where he worked for 24 years. He retired in 1977 as a Deputy Sheriff with the rank of Sergeant.

Mr. Fleming was a member of the Board of Directors of the Los Angeles County Professional Peace Officers Association from 1959-1987, where he negotiated and signed the first contract for law enforcement under the Meyers-Milias-Brown Act for Deputy Sheriffs, and helped formulate various law enforcement benefits. He was also appointed to the California Commission on Aging where he was the primary advocate for four million seniors in California.



LACERA in the 21st Century by Alice Natale

Communication is vital in today's society. Everywhere you look, people are using cell phones, typing on laptop computers, or rushing to get somewhere. In this age of constant change, it seems like there is less and less time to reflect on what is new and important.

LACERA does everything we can to help our members stay on top of recent changes and information. We have a Web site that you can visit, as well as new kiosks in our lobby that you can use to access the site while you wait to be served. Our goal is to pass along information to you as quickly as we receive it.

To help LACERA serve you as best we can, it is important for you to keep your address current with us. Retirement law requires a written request from you to change an address. In order to have that change take place in a certain month, we must have your request on file no later than the 12th of the month that you want the change to occur.

Direct deposit is another service LACERA offers, for the fastest delivery of your monthly check. If you move frequently or find it difficult to get to the bank, you may find direct deposit to be a convenient way to access your money at the end of the month.

No matter what new changes are happening in your life, LACERA will be there financially. But we can't do our best to serve you without your most recent information. Whether you move, change your phone number, or experience a marital status change, notify LACERA as soon as you can so we can be up-to-date and ready to serve your needs.



NEWS FOR RETIRED MEMBERS

Coordination of Benefits (COB) for Blue Cross Participants: Prudent Buyer Plan

COB rules are established to prevent duplication of payment when an insured person is covered by more than one plan. Since many Blue Cross members are also covered by Medicare (that's two plans), COB rules apply.

Here's a description of how Blue Cross coordinates with Medicare:

If you are age 65 or over, enrolled in Medicare and not employed, Medicare is considered the primary plan and pays first. Then, Blue Cross pays the difference, up to the amount they would have paid if Blue Cross were the primary payer. The amount Blue Cross pays varies depending on whether you see a physician who accepts Medicare assignment or not, and one who is a Prudent Buyer physician or not.

Blue Cross saves the most money if you see a Prudent Buyer physician who accepts Medicare assignment, which is to your best advantage. Because your Blue Cross benefit has a million dollar lifetime maximum, the less they pay, the longer your benefit will last.

Let's take a look at a few examples to illustrate how this works (these examples are valid, provided both Blue Cross and Medicare deductibles are met):

Scenario #1

Sally goes to a physician who is not a member of the Prudent Buyer network, but who accepts Medicare assignment:

Actual bill \$50 (Medicare allows \$40) Medicare pays -30

Medicare pays -30 Blue Cross pays -10

Physician writes off -10

Sally pays 0

In this case, the physician who accepts Medicare assignment agrees to write off the difference between the actual bill and the Medicare allowable amount.

Scenario #2

Bill sees a physician who is a member of the Prudent Buyer network, but does not accept Medicare assignment:

Actual bill \$50

Prudent Buyer rate 43

(Medicare allows \$40)

Medicare pays -30

Blue Cross pays -13

Bill pays 0

In this example, Blue Cross picks up the difference between the Prudent Buyer rate and the Medicare allowable amount.

Scenario #3

Sam sees a physician who is a member of the Prudent Buyer network and accepts Medicare assignment:

Actual bill \$50 Prudent Buyer rate 44

(Medicare allows \$45)

Medicare pays -38

Blue Cross pays -6

Sam pays 0

Here, Blue Cross pays the difference between the contractual Prudent Buyer rate or the Medicare allowable amount, whichever is greater. In this example, the Medicare allowable rate is greater, and the remainder is written off based on contractual agreement.

In addition to claims involving Medicare, COB rules apply in some other situations:

- If the claim is for a spouse of a retiree who now works and is covered by his or her employer; the spouse's plan is primary and Blue Cross is secondary.
- If the claim is for a dependent child, the father is a LACERA retiree and enrolled in Blue Cross; the mother is covered by her current employer; and the child is covered by both married parents; the plan of the parent whose birthday occurs earlier in the year pays first.

We hope this article gives you a better understanding of COB rules for Blue Cross.

Spotlight 'Retirement L/CERA

September 2001 Vol. 12 No. 4

OS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

NEWS FOR RETIRED MEMBERS

Legislative Updates

NEW LAWS.

The following bills have been signed by the Governor with an effective date of January 1, 2002, unless otherwise indicated.

AB 1214 Plan E Social Security Offset (Chavez)

This bill allows all Plan E members who have coverage under Social Security while working with the County to have their actual Social Security benefit amount used in calculating the Social Security pension offset. Currently, only those members who retire after age 65 may do so with all others required to use an estimated Social Security benefit amount. Additionally, the bill allows a Plan E member who has coverage under Social Security while working for the County, but is not vested with 40 quarters under the Social Security system at the time of retirement, to have no Social Security pension offset applied to their retirement benefit. However, if they become eligible for Social Security benefits in the future, LACERA will apply the pension offset at that time.

AB 1665 County Retirement Boards: Alternate Members (Ashburn) Existing law provides that our Board of Retirement consists of nine members, including one

elected retired member and one elected alternate safety member. However, the Board of Retirement in the Counties of Ventura and Kern are authorized to appoint, and the retired members of those counties may subsequently elect, an alternate retired member in specified circumstances.

This bill would authorize the remaining CERL county retirement systems to establish a system whereby the retired members of the county could elect an alternate retired member to represent them on the board whenever a retired member was absent.

This bill will become effective in LA County if, after January 1, 2002, the Board of Retirement votes to appoint an alternate retired member. An alternate retired member appointed by the Board of Retirement would serve until the regular retired member's term expired. Thereafter, the alternate retired member would be elected under procedures adopted by the Board of Supervisors.

SB 304 LA County Only, Mandatory Retirement (Karnette)

The 1937 Act current law allows counties to require that certain safety members retire at age 60 or 70. This bill applies only to Los Angeles County and allows the Board of Supervisors in that county to disregard that mandatory requirement provision for an Assistant Sheriff or Chief in a sheriff's office who is a safety member, and whose duties are primarily administrative.

SB 304 was an Urgency bill that became effective when the Governor signed it on July 3, 2001.

The Board of Supervisors' resolution of July 17, 2001 made it effective in LA County.

PENDING LAWS.

The following legislation for 2001 is still pending

AB 616 3% at Age 60 Formula for General Members (Calderone)

Bill status: Senate Appropriations Committee Suspense File

LACERA's position: Watch

This bill authorizes the Board of Supervisors to approve a 3% at 60 formula for general members. The July 2amendment would add two sections: the first section would provide for the calculation of contribution rates. The second section would provide, at the option of the Board of Supervisors, either (1) the retirement allowance to be integrated with social security, or (2) social security to be on an additive or supplemental basis at the option of the Board of Supervisors.

AB 1071 COLA Accumulation (COLA "Bank") (Canciamilla)

Bill status: Assembly unfinished business

LACERA's position: Watch

This bill allows the historic amounts added to the COLA Accumulation to be increased or decreased for the current year's inflation. For example, if a Plan D member retires during a year with 6% inflation, the member will receive a 2% COLA award with 4% being added to their COLA Accumulation. In the following year inflation reaches 12%. The member will receive a 2% COLA award with 10% being added to their COLA Accumulation. Under current law the member's COLA Accumulation will be 14%, that is 4% from year #1 and 10% from year #2. However, under this new bill, the calculation is figured differently. The COLA Accumulation from year #1 (4%) is adjusted by year #2's 12% inflation, which is then added to the remaining 10% from year #2. Applying this formula, the COLA Accumulation would be 14.5%. Here are the calculation examples.

Current Process:

	CPI Change	Cost-of-Living	COLA Accumulation	COLA Balance
Year 1 Plan D	6%	2%	4%	4%
Year 2 Plan D	12%	2%	10%	14%
Year 2 formula	Yr. 1 Bal (4%)	+ Yr. 2 Accum. (10%)	= Yr. 2 Bal. (14%)	

New Process:

	CPI Change	Cost-of-Living	Accumulation	Balance
Year 1 Plan D	6%	2%	4%	4%
Year 2 Plan D	12%	2%	10%	14.5%
Year 2 formula	Yr. 1 Bal (4%)	+ Yr. 2 Accum. (10%)	= Yr. 2 Bal. (14.5%)	
	[.04 x (1 + .12)]	+ .10 = .1448 or 14.5%		

This bill, if passed, would require Board of Supervisors adoption, at which time it would be applied to accumulations of retired members retroactively to the member's date of retirement.

Bill status: Assembly Banking & Finance Committee LACERA's position: Watch

AB 1190 Expanding Reciprocity Rights (Papan)

This is a two-year bill that would greatly expand reciprocity rights by allowing members to

establish reciprocity regardless of the time period between terminating employment with one agency and starting at the next agency. Currently the law requires that a member transfer between agencies within 6 months. SB 361 Blood-Borne Infectious Disease (Soto)

Bill status: Assembly inactive file LACERA's position: Support if amended to require on-the-job exposure to blood or blood

products.

This bill is a blood-borne infectious disease presumption for health care workers and

unspecified others. LACERA supports this bill provided it is amended to require on-the-job exposure. The following bills are seeking safety membership benefits for various peace officer,

park ranger, and prosecutor groups as specified in each bill. SB 695 (Karnette) Safety Membership for Peace Officers

Bill status: Assembly Appropriations Committee LACERA's position: Watch

SB 1215 (Romero) Safety Membership for Safety Police Officers and Park Rangers Bill status: (Formerly AB 1385) Assembly Inactive File

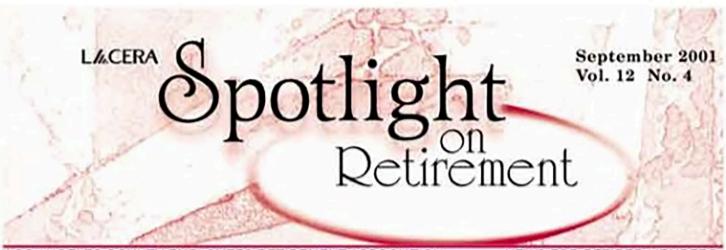
LACERA's position: Watch

SB 1018 (Perata) Safety Membership for Local Prosecutors and Public Defenders Bill status: Assembly Appropriations Committee

LACERA's position: Oppose

AB 1254 (Florez) Safety membership for Local Prosecutors Bill status: Assembly PERS & SS Committee LACERA's position: Oppose

For more information, or to follow the progress of pending legislation, please visit the Official California Legislative Information Web site at www.leginfo.ca.gov.



NEWS FOR RETIRED MEMBERS

Special Updates

MOU 399

Many LACERA members have expressed concern that the MOU 399 bill does not seem to be moving forward. Since our last update in March, nothing new has developed with this bill, and presently it is being reviewed in the Legislature. For up-to-the-minute legislative updates, try checking out www.leginfo.ca.gov, a great resource to find out the latest legislative developments.

SB 670 Survey

As you may remember, LACERA recently conducted a plan benefit survey of retired and active members regarding marital statistics. The survey results are being reviewed and analyzed by an actuary. Once this actuarial study has been completed, we'll pass the results on to the LACERA membership.

Correction to Plan E Lawsuit Article

In the last Spotlight, we ran an update on the status of the lawsuit brought against the County and LACERA by about 815 Plan E members. At one point in the article, the proceeding was incorrectly referred to as a "class action." In fact, the case is not a class action, but a "representative action."

The difference is that in a representative action, an individual must take more affirmative steps to consent to and become a member of the group, which is then represented by one individual or entity. (In the Plan E case, the plaintiff representative is CEFRP, County Employees For Fair Retirement Plans.) In a class action, while there is still a named representative of the group, persons may be included as members of a plaintiff or defendant class whether they wish to be included or not. Many of the procedural rules regarding standing of the named representative, however, may be similar. We apologize for any confusion this misstatement may have caused.

With regard to the status of the case, which is now on appeal on the issue of standing, CEFRP's Opening Brief is due on September 20, 2001. (The standing issue involves whether CEFRP may appropriately represent the 815 individuals in one action, or whether the individual cases must be pursued separately.)



NEWS FOR RETIRED MEMBERS

From the Executive Desk of Marsha Richter LACERA Benefits: Myths and Truths

As the CEO of LACERA, I often hear about misunderstandings concerning retirement plans, procedures, and other myths about the implementation of benefits. I'd like to try and clarify some of those myths here, and hopefully bring to light some of the more confusing ways that retirement law works.

If you still have questions after reading my explanations below, please feel free to call a LACERA Benefits Specialist for further information. And you can always go to the LACERA Web site to find updates on most pending retirement issues, or find definitions in the on-line glossary.

MYTH: When retirement legislation is passed into law, it becomes effective the first of the following year; urgency legislation becomes effective the day the Governor signs it into law.

TRUTH: This statement is confusing because it is both true and false. Yes, a bill does become law once it's been passed or signed by the Governor. However, just because a law is on the books doesn't necessarily mean that it will be implemented. In fact, most new retirement legislation does not become effective in LA County until the Board of Supervisors passes a resolution to adopt it, which is not a guaranteed action.

An example is the 3% at Age 50 Safety Formula. Although this legislation passed in 2000 and some other counties have already adopted this formula, it has not been adopted by the Board of Supervisors. If and when this law is adopted by an LA County Board of Supervisors resolution, the terms ultimately agreed upon may require additional legislation.

MYTH: LACERA is withholding information on pending legislation and updates on the MOUs.

TRUTH: The responsibility to report information that could affect your benefits is one that we take seriously. We realize that many of our members are anxious to see updates on new legislation, and we are dedicated to bringing you the information as soon as we have it. The misperception lies in the fact that if there is not a monthly update, we're not sharing information that we possess.

In many instances, months can go by without any significant movement. An example is AB 399, the LA County negotiated MOU issue. This bill has been in and out of legislative committees since March-- the last time we reported any movement on the LACERA Web site. Currently the bill is still in the legislature, and until it is either substantively amended or signed by the Governor, there's just nothing further to report.

When we promise to let our membership know of any new developments, we are dedicated to bringing you the latest news as it happens. In cases like this, no news is just that-- no news.

To follow the progress of this and other legislation, a good source of information is www.leginfo.ca.gov.

MYTH: New members of the Board of Supervisors and Department Heads get Plan A retirement benefits.

TRUTH: They choose between Plan D and E just like any other new County employee. These two plans are the only retirement plans that are available to new employees at this time. Members of the Board of Supervisors, elected department heads such as the Sheriff and the Assessor, and the District Attorney can also choose not to participate at all because they are elected officials.

MYTH: As a retiree from a contributory plan, I am eligible for the STAR COLA benefit. TRUTH: You may eventually become eligible for the STAR COLA benefit (Plan E does not provide cost-of-living benefits). This plan is intended for those retirees and survivors who have lost more than 20% of their original benefit's purchasing power due to inflation over the years. The 2001 benefit was vested for current STAR COLA recipients, however any increase in the benefits will require Board approval.

In contrast, all retirees (except those in Plan E) are eligible for the April 1 cost-of-living benefit. This is the annual benefit increase (or decrease) in a member's monthly retirement allowance, based on the movement of the CPI (Consumer's Price Index). The maximum COLA benefit is 3% for Plan A retirees and 2% for Plans B, C, and D.

MYTH: Plan E is cheaper for the County because the County doesn't have to pay any contributions for Plan E members until they retire.

TRUTH: The County contributes to LACERA on behalf of Plan E members every month, just like all the other plans.

Plan D and Plan E cost close to the same amount for the County, but this changes with each valuation. Some years Plan D costs more and sometimes Plan E costs more. The big difference is member contributions. Under Plan E, the member pays nothing and under Plan D the member pays almost the same as the County. For a more comprehensive explanation of the differences in retirement benefits between Plan D and Plan E, take a look at the plan brochures. The plan brochures can be requested using the toll-free member service number, 800-786-6464, or accessed through our Order Now page.

MYTH: People only live 2 or 3 years after retirement.

TRUTH: If you're expecting to live only a few years after you retire, you'd better rethink your money plan. Ten percent of LACERA members are octogenarians, and this number is rising every year. With improvements in health care, odds are you're going to be around a lot longer than you think. And this means more time to golf, visit with family--even begin a new career after retiring from the County. Don't think of retirement as the end of your career. Think of it as a new beginning, a time to reassess your goals and take advantage of your newfound freedom.



NEWS FOR RETIRED MEMBERS

Thank you, Senator Karnette!

Thanks to Senator Betty Karnette, Senate Bill 1132 has been signed into law by the Governor. This bill is important to LACERA for many reasons, the most important being the competent and successful management of our \$28 billion fund for you, our members.

SB 1132 allows LACERA to hire certain employees not subject to civil service or merit system rules. The current retirement law allows LACERA to appoint a CEO who is not subject to the county's civil service or merit system rules. The CEO appointed through these provisions serves at the pleasure of the Board of Retirement and the Board of Investments, and can be dismissed without specific charges, a statement of reasons, or good cause.

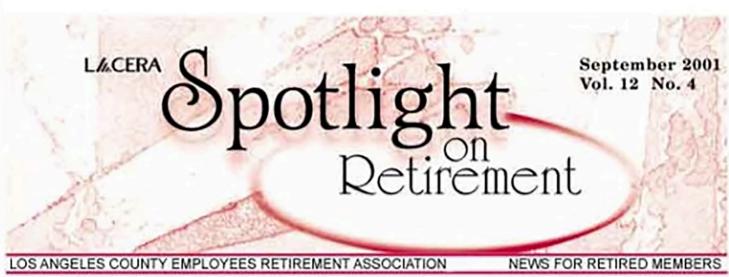
The Chief Deputies and assistants in each county agency and department are no longer subject to the county's civil service or merit system due to a charter amendment adopted by the voters of Los Angeles County last year. But LACERA was not included in that charter amendment due to LACERA's independence. Therefore, LACERA decided to sponsor this legislation to apply the same personnel standards to its employees.

Now that SB 1132 has passed, LACERA is up to speed with the LA County personnel standards and can appoint administrators and assistants of the retirement fund, including legal and investment officers, without being subject to the county charter, civil service or merit system rules. All such employees appointed through these provisions serve at the pleasure of the Retirement and Investment Boards, and can be dismissed without specific charges.

This bill gives LACERA the opportunity to attract the most qualified administrators to manage the retirement assets, the heart of this retirement system. This bill gives LACERA the freedom we need to be the best we can be, and we could not have done it without Senator Karnette's dedication to the future of this organization.

A native of Paducah, Kentucky, Senator Karnette has lived with her husband in Long Beach since 1952. Senator Karnette was a math teacher in the Los Angeles Unified School District for 31 years before being elected to the California State Senate in 1996 to represent the 27th district. Her strong interest in transportation, campaign spending reform, job development, and streamlining government is reflected in her numerous Senate committee assignments.

Senator Karnette currently serves as a member of the Senate Rules Committee, Transportation Committee, Vice Chair of the Select Committee on the Alameda Corridor East, and is also a member of the Appropriations, Governmental Organization, Public Employment and Retirement, Education, and Banking, Commerce and International Trade Committees. In addition, Senator Karnette is a member of the State Coastal Conservancy and the California Small Business Board.



How Legal Separation & Divorce Affect Your Retirement Benefits

It is important to be aware of how a divorce or legal separation affects your retirement benefits. Upon your death, the eligibility rules for a continuing survivor's allowance differ from the eligibility rules for health care dependent coverage. Although a legally separated spouse is eligible for a continuing survivor's allowance, that spouse does not qualify as a dependent entitled to health care coverage. Here's why:

Legal Separation

Following are the benefits available to spouses upon a legal separation:

Retirement Benefits

When you receive a judgement of legal separation, your marital status does not change. Upon your retirement, through a Wage and Earning Assignment Order, the court may order your legally separated spouse to receive a portion of your retirement benefits. Except in limited circumstances, upon your death, your spouse is still eligible for a continuing survivor's allowance, but not for health coverage.

Health Benefits

Under the LACERA-sponsored medical plan, a legally separated spouse is not eligible for coverage as a dependent. However, if your spouse was a covered dependent prior to the legal separation, your spouse would be eligible for COBRA coverage for a maximum of 36 months.

Divorce

Following are the benefits available to ex-spouses upon divorce:

Retirement Benefits

When you receive a final judgement of the dissolution of marriage, your marital status changes. Upon your retirement, your ex-spouse may be entitled to a portion of your retirement benefits. However, upon your death your ex-spouse may be eligible to receive a portion of your surviving spouse's allowance. Also keep in mind that your surviving spouse is only entitled to your retirement allowance if you were married to the surviving spouse at least one year prior to your retirement.

Health Benefits

Under the LACERA-sponsored medical plan, your ex-spouse is not entitled to coverage as a dependent. However, if you divorce after retirement and your ex-spouse was a covered dependent prior to the divorce, he or she would be eligible for COBRA coverage for a maximum of 36 months.

For more information on COBRA benefits, please refer to the Guide to Administrative Rules for LACERA Health Care Benefits, or call LACERA at 800-786-6464.



Decision In Ventura Case

You may remember having read about the 1997 "Ventura Decision" court case in past issues of the Spotlight and in articles on our Web site. Here is a brief review of the major issues and an update on the progress of this case.

The original question brought before the court was, What salary should be included in pensionable salary used in calculating pension benefits? The courts ruled that effective October 1, 1997 certain special pay items not previously counted in calculating pension benefits were to be included as pensionable salary. LACERA published the lengthy listing of these pay items and has included the special pay in the pensionable salary since October 1, 1997.

The next issues were, Who should receive the salary adjustments? In other words, is this decision applicable only to salary earned after October 1, 1997, or is it applicable to all salary earned during an employee's career? The courts determined it is applicable to all active members' and current retirees' earned salary. But that raised another question: If retirees are entitled to salary adjustments that raise their pension benefit amount for future payments, is there an obligation to make retroactive back payments, and if so, for how many years?

The question of retroactivity has been decided. On September 5, 2001, the California Superior Court issued a final ruling regarding retroactivity by defining a three-year statute of limitations for making the retroactive back payments. The ruling determined that the retirement income should be adjusted retroactively for all living retirees (or their survivors) who received the additional pay items that were made pensionable under the previous rulings. The precise date for retroactivity in Los Angeles County is still being discussed.

The September 5, 2001 decision also stated that employee contributions, plus interest, may be collected from either the employee, the employer, or the retirement system for the additional salary adjustments.

Because appeals on the decision may be filed, and there are other issues yet to be answered, it is anticipated that implementation would not occur until there is resolution of these issues and any possible appeals. The Ventura case settlement may take one or more years for full resolution.



Coming to a LACERA Web Site Near You

Exciting developments are in store for the LACERA Web site, and we want to give you a peek into the future of this online resource. Interactive features will allow members to take a more active role in their own memberships, a text-only site will soon be available to members with impaired vision, and better security will add to your peace of mind. And best of all, it should all be up and running by the end of next year!

ADA Compliance

ADA (Americans with Disability Act) law requires that LACERA provide a text-only site that can be read by anyone, including those people utilizing special software for the visually impaired. Currently this text-only site is in the testing phases, but will be fully operational before the end of this year.

Access to Your Information Online

We've been listening to your requests, and soon they'll come true! In 2002, you'll be able to access your personal member information online.

We've done security testing from the outside and internally, and before we implement this new interactive feature, we'll be installing the most up-to-date security and firewall technology to insure that your private information stays private. Only after we can offer our members a fully secure environment will we bring interactive technology to our Web site; in this business, it's best to be safe.