

LACERA

September 2004
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Spotlight on Retirement

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION • NEWS FOR RETIRED MEMBERS

COBRA Eligibility Reminder

When dependents of LACERA retired members no longer meet the eligibility requirements for LACERA's health care coverage, they may be eligible for COBRA benefits. While covered under a LACERA-sponsored medical plan, dependents are considered eligible for COBRA benefits if they experience a qualifying event as follows:

- Divorce or legal separation of a spouse or eligible domestic partner from a LACERA member

- Death of a LACERA member leaving a spouse or eligible domestic partner and dependents who are not eligible to receive monthly retirement benefits
- Dependent children cease to qualify after reaching the maximum age for the plan

The maximum amount of time that COBRA benefits can be continued is 36 months. You cannot be denied coverage based on your health status. COBRA participants are responsible

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Do You Have Direct Deposit?

If your answer is no, what are you waiting for? Currently 89% of all LACERA retirees enjoy the convenience of Direct Deposit. Sign up and enjoy the following advantages:

- Safe and secure deposit of monthly pension directly into your bank account
- Save yourself a monthly trip to the bank
- Avoid mail delays due to holidays and weekends

- *Always* receive your monthly pension on the last business day of the month

Pension checks are always deposited or mailed on the last business day of the month. Those retirees who use Direct Deposit automatically receive that money in their accounts *that day*. Retirees who do not take advantage of Direct Deposit must wait for their checks to be routed through the U.S. Postal Service. This could delay your check, especially if the last business

day of the month falls before a holiday weekend. For example, say the last business day of the month falls on a Friday and Monday is a holiday; even though your check will be mailed on Friday, delivery may be delayed until the following Tuesday.

Another issue to consider is the possibility that your mail may get lost en route to you. Although this is an unlikely scenario, it could—and does—occasionally happen. By using Direct Deposit, you will never have to worry about the security and

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Los Angeles County Employees Retirement Association

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From the Executive Office

Marsha D. Richter, Chief Executive Officer



Your Retirement Fund

Recently there has been a lot of coverage in the news about how the San Diego City Employees Retirement System is in financial straits. The unfortunate turn of events in San Diego gives us pause, and is a good catalyst for us to reflect on the health of LACERA's retirement fund.

First, let's take a look at how our fund was doing during our most recent actuarial valuation over a year ago, as of June 30, 2003. That valuation revealed that our plan liability was \$30.5 billion. That is to say, if every eligible active County employee who is a member of LACERA decided to retire today, the fund would need \$30.5 billion to cover their lifetime pensions and benefits. The actuarial value of assets (our average bank balance, so to speak) was \$26.6 billion. This means that as of June 30 last year, we had an unfunded liability of \$3.9 billion.

Although these figures may be alarming at first, take a closer look. The country's general economic recovery is on an upswing. Our fund, which is well diversified, is now gaining financially, and continues to grow. But most importantly, the likelihood that every LACERA member will retire en masse is extremely low. Overall our fund is healthy and growing, and is on track to becoming fully funded again.

When we look at what has happened with the San Diego City Employees Retirement System, we can see how a combination of circumstances may have contributed to their fiscal crisis. Cutbacks in state

funding and the poor market performance in 2000 were contributing factors. Another contributing factor to their fund's instability was the decision to enhance benefits for retirees even while the city's retirement contributions were reduced. Although the country was experiencing an economic boom at the time, we now know that assuming the boom would continue and funds would be available for benefit enhancements was a miscalculation. And finally, the devastating 2003 wildfires created an enormous financial burden for the city. The benefits increased, the funding decreased, and unforeseen circumstances tapped financial reserves. Looking at San Diego City's example, it is easy to see how quickly a fund's financial situation can deteriorate.

When legislation is introduced that would increase benefits for present and future LACERA retirees, there are many factors that must be taken into account before it can be approved. As we can see from San Diego City's current issues, conservative long-term planning and fiscal responsibility must prevail when it comes to our retirees' future. As our pension fund recovers, your future benefits are foremost in our financial plans. You can rest assured knowing that a healthy, fully-funded pension fund is our number one priority.

Legislative Updates

by Jan Barcus

August 31 was the last day for each house to pass all bills. If a bill was not sent from the house to enrollment and then to the Governor, it is “dead” for the current session and will not become law. This was the second year of a two-year session. “Dead” bills may have the subject matter resubmitted in the next legislative session with a new bill number.

September 30 is the last day for Governor Schwarzenegger to sign or veto bills passed by the Legislature. Our next report will show the bills signed by the Governor and those that become law without his signature.

Below is the current status, as of the printing date, of some of the bills LACERA followed this year. For a more comprehensive look at the bills, visit www.leginfo.ca.gov:

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

AB 55, enacted last year, allows members to purchase up to 5 years of Additional Retirement Credit (ARC) by paying an amount that does not put an additional financial burden on the retirement system. This bill would allow the Orange County Board of Supervisors to require that a member who elects to complete payment for the purchase by installment payments be charged interest on the monthly unpaid balance.

Introduced: February 14, 2003

Amended: August 23, 2004

Sponsor: California Professional Firefighters

Status: Died in Committee

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. Defines the duties of the alternate retired member.
- 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. In the event that

the beneficiary dies before the member, the member’s allowance will “pop up” to the unmodified amount on a prospective basis.

- 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: April 14, 2004

Sponsor: State Association of County Retirement Associations (SACRS)

Status: Signed by Governor Schwarzenegger September 10, 2004, Chapter 441

LACERA position: Support

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

This bill would authorize law enforcement and firefighter members to receive retirement credit for any prior public agency service. 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: Died in the Senate

AB 2234 County Employees’ Retirement: Service Purchase by Plan E Members; Catastrophic Event Response

- 1) This bill would amend the retirement law to authorize the Board of Supervisors to allow Plan E members to purchase qualified service credit. Qualified service is defined to include Additional Retirement Credit (ARC) and previous government employment as currently available, and under the same terms, as contributory plan members. The bill would also extend the time period from 90 days to 120 days in which the surviving spouse of a Plan E member could complete a plan transfer contract elected by the member before his or her death.
- 2) This bill would allow the retirement system to contract with a third party to administer the system after a catastrophic event if LACERA was temporarily unable to continue its operations.
- 3) This bill would authorize a

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legislative body of a local agency that invests pension funds to hold a closed session to consider the purchase or sale of specific pension fund investments. All investment transaction decisions made during the closed session shall be made by roll call vote and disclosed at the first open meeting of the Board following the close of the transaction or transfer of assets.

Introduced: February 18, 2004

Amended: June 10, 2004

Sponsor: State Association of County Retirement Systems (SACRS)

Status: Signed by Governor Schwarzenegger September 15, 2004, Chapter 533

LACERA position: Support

AB 2956 County Employees' Retirement Actuarial Valuation Filing Date; Reciprocity

- 1) This bill would change the time frame in which the Board of Retirement must make recommendations for a change in interest or contribution rates from 45 days to 60 days prior to the beginning of the next fiscal year.
- 2) This bill would provide reciprocity when the period of time between the member's termination of employment and his or her entry into employment with a reciprocal agency does not exceed 36 months.

Introduced: February 20, 2004

Amended: August 23, 2004

Sponsor: Safety Employees Benefit Association

Status: Vetoed by Governor September 21, 2004

LACERA Position: Oppose; as

written could require a retroactive application of the contribution rate adjustment.

AB 2982 County Employees' Retirement: Alternative Work for Disabled Employees

This bill would amend the retirement law regarding the service-connected disability salary supplement. Under this proposal, after the Board of Retirement finds that a member is disabled for his or her job, the Board would request the member's department to conduct an analysis under State accommodation standards, to determine if alternative work is available. Placement in an alternate position requires the mutual written agreement of the employer and the employee. Existing law provides that if a member, after concurring with a rehabilitation plan, refuses an offer of alternative work without reasonable cause within one year after being determined to be eligible for a disability retirement, the agency employing the member may request to have the member's disability allowance discontinued. This bill would delete that provision. This bill is an urgency statute and would take effect immediately.

Introduced: February 20, 2003

Amended: May 26, 2004

Sponsor: Orange County

Status: Signed by Governor Schwarzenegger August 27, 2004, Chapter 379

AB 3094 County Employees' Retirement: Electronically Deposited Benefit Payments

This bill would add an exemption to the California Right to Privacy provisions of the Government Code on Exceptions to require a financial

institution to provide a retirement system with information about member accounts that received direct deposit transfers after the date of the member's death. This bill, as currently written, would also amend the Public Employees' Retirement Law and the County Employees Retirement Law by requiring that retirement benefit payments from a state or county retirement system that are directly deposited by electronic fund transfer into the member's account after the member's death are to be refunded to the retirement system.

Introduced: March 11, 2004

Amended: May 24, 2004

Status: Signed by Governor Schwarzenegger September 14, 2004, Chapter 506

LACERA position: Support

SB 1260 County Employees' Retirement: Option to Provide an Increased Survivor Allowance

The unmodified retirement benefit settlement provides a continuing allowance to an eligible spouse (65% for Plans A, B, C, and D; 55% for Plan E). This bill would allow a member to increase the allowance paid to an eligible spouse by taking a reduction in his or her allowance equal to the actuarial difference between the continuing allowance provided under the unmodified benefit settlement and an increased survivor allowance. This bill is at the option of the Board of Supervisors in each county.

Introduced: February 12, 2004

Sponsor: Los Angeles County

Status: Signed by Governor Schwarzenegger July 16, 2004, Chapter 152

LACERA position: Support 

Health Care Coverage for LACERA Member Survivors

As a LACERA retiree, your years of hard work are rewarded with excellent retirement benefits, such as health care coverage through the LACERA-sponsored health care plans. If you're married or are the parents of an eligible dependent child, it's likely that your spouse or child has grown accustomed to coverage under your LACERA plan as well.

But what if you are in a registered domestic partnership? LACERA is now able to accept applications for coverage for domestic partners as well. In addition to same-sex couples, domestic partners may include members of the opposite sex if one or both of the persons are over age 62. If you think you may qualify for Domestic Partnership status, contact the State of California about how to register your domestic partner, and contact LACERA for our health plan information.

In event of your death—something no one likes to think about—you can rest assured knowing that options are available which may extend health plan coverage to your eligible survivors, which now include domestic partners (Except plan E members until 1/1/05). The list below reviews the survivor coverage available, given your survivor's eligibility and prior coverage status:

- If your surviving spouse, eligible domestic partner, or dependent child is **eligible for continuing**

health care benefits, he or she will be mailed a packet of information for both retirement benefits and health care benefits. Upon your death, eligible dependents will receive continuous health care benefits,



provided that they were covered as dependents under your LACERA plan. LACERA's Insurance Services Section will coordinate health care coverage.

- If a surviving spouse, eligible domestic partner, or dependent child is **not eligible for continuing health care benefits**, but has been continuously covered under your health care plan, he or she will be mailed a packet containing information about continuing health care coverage through COBRA (see "COBRA Eligibility Reminder" on page 1.)

- If a surviving spouse, eligible domestic partner, or dependent child is **eligible for continuing health care benefits**, but was not continuously covered as a dependent under your LACERA health care plan and now wishes to be covered, he or she is subject to the rules for Late Enrollment. The basic rules of Late Enrollment include a 6-month wait for medical and a 1-year wait for dental/vision, from the date of the receipt of the enrollment form.

- If an eligible survivor is covered under a LACERA-sponsored health care plan and remarries, the survivor's eligible new dependents can be added to the plan, provided LACERA is notified within 30 days of the date of acquisition (i.e. marriage, birth, adoption, etc.). However, when the eligible survivor dies, his or her eligible dependents will no longer be eligible for continued coverage through a LACERA-sponsored health care plan, except for a limited period of time through COBRA.

- If your eligible survivors are required to pay premiums for coverage, they will be notified.

For more information about LACERA-sponsored health care plans and other important news, please visit us online at www.lacera.com. 

Do you have questions
regarding your
retirement benefits?

Visit our website at:
www.lacera.com, or
email: **welcome@lacera.com**

Just call the numbers below
and ask to speak to a
Retirement Benefits Specialist.
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.

Editor's Note

Spotlight on Retirement is published by the staff of LACERA. Signed articles represent the opinion of the writers and not necessarily the opinion of the LACERA Management, Board of Retirement, or Board of Investments.

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*Alternative formats are available
upon request.*

LACERA's Call Center: The Voice of LACERA

When LACERA members call 800-786-6464, their questions will be answered by a knowledgeable Retirement Benefits Specialist. Every call is important to the member, and therefore every call is important to the Specialists staffing the Call Center.

During an average month, approximately 12,000 phone calls are received by LACERA's Member Services Call Center. (This number does not include the hundreds of calls per month answered by the Retiree Health Care Division.)

The Call Center has a staff of 13 Retirement Benefits Specialists (RBS), working together to make certain that there is someone to answer your call any time between 7:00 a.m. and 5:30 p.m. (PST), Monday through Friday. When asked what they find to be the most rewarding part of their job, the Call Center staff reports that they find the most fulfillment in assisting members.

One goal of the Call Center is to answer your call in less than 30 seconds. In an average month, the

Call Center is able to come very close to achieving that goal by answering over 85% of the incoming calls within that 30-second time span.

Address Changes

Another goal is to be able to expand the types of services that are offered by the Call Center, including being able to take address changes over the phone. This newest addition to the Call Center repertoire has been in place since July 2004 and has proved to be immensely popular with retirees. The Call Center can change the address of a retiree (including survivors and deferred members) in a single phone call. Active employees must continue to go through their human resources division. As well, conservatorship, guardianship, and power of attorney situations must still be completed in writing.

Whether you're calling with a question, comment, or concern, the Specialists in the Call Center strive to answer your call quickly and respond to your needs efficiently. They look forward to hearing from you! 



Phone Numbers for Your Reference

The list below is a collection of frequently-called numbers, often requested by retirees. We suggest cutting out this list and keeping it near the phone, for a handy reference.

Associations

LACERA 800-786-6464
RELAC 800-537-3522

Credit Unions

Fire & Agriculture Credit Union 800-222-1226
First City 800-944-2200
Fiscal Credit Union 800-311-3328
Focus One 866-436-2872
Harbor Federal 310-222-2395
L.A. Financial Credit Union 800-894-1200
Local 660 Seniors 213-368-8660
Olive View 818-367-1057
POPA 800-747-7762
POPA Federal 800-369-7672
Public Works 626-458-5175
Rancho Federal Credit Union 562-803-6401

Sheriff's Relief 800-544-4772
Southland Civic 800-426-1917

Insurance

Blue Cross Prudent Buyer 800-284-1110
Blue Cross I, II, III 800-284-1110
Caremark 800-841-5550
Cigna Dental HMO 800-367-1037
Cigna Dental/Vision 800-845-3820
Cigna Network Model 800-832-3211
Cigna Seniors 800-747-8686
Kaiser Basic 800-464-4000
Kaiser—Senior Advantage 800-443-0815
Local 1014 Healthcare 800-334-6285
PacificCare 800-624-8822
SCAN 800-559-3500
Secure Horizons 800-228-2144



LACERA's Board Members

Congratulations are in order! **William R. Pryor** has been elected as the Safety Member on both the Board of Retirement and the Board of Investments to three-year

terms beginning January 1, 2005. We would also like to congratulate **Armando Macias** for his election to the Board of Retirement as the Alternate Safety Member; his term

will also begin on January 1, 2005. Look for more information on these two gentlemen in the next edition of *Spotlight*. 

Direct Deposit cont'd from pg. 1

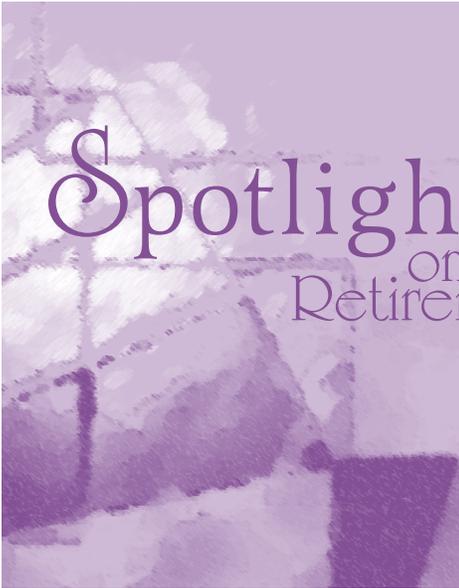
safety of mail delivery of your pension check. Additionally, if there is ever a problem with your direct deposit, it can usually be remedied in short order. However, if LACERA has to reissue a paper check, it could take up to a week.

Retirees who enjoy traveling also appreciate the freedom that Direct Deposit affords them. They can roam the globe without worrying about

forwarding mail and depositing checks. They know that their money will appear in their bank accounts on posting day. (Retirees going on extended trips should notify LACERA that they'll be out of town—even if they have Direct Deposit.)

Cut out the middle man and sign up for Direct Deposit! It's safe, secure, and easy. When that first

deposit appears in your bank account, you won't believe you ever lived without this amazing convenience. To download a Direct Deposit application, just go to **www.lacera.com**, and click on "Brochures and Forms" under the "Communications" tab. Or call a Retirement Benefits Specialist at 800-786-6464 and request an application over the phone. 



Attention Plan E Members Important Notice Regarding Social Security

In the July 2004 issue of *Spotlight*, we wrote about the Social Security Windfall Elimination Provision, Plan E Offsets, and other possible reductions to your retirement allowance that may occur if you receive a LACERA allowance *and* a Social Security benefit. This article is specifically for Plan E members, and may help you get the maximum retirement allowance you are entitled to receive.

By law, LACERA must reduce the retirement allowance for all members who paid into Social Security before January 1, 1983, while working for the County. (If you were hired after January 1, 1983, your allowance will not be reduced by LACERA.)

If you retired from Plan E at age 62 or older, LACERA would have calculated your retirement allowance and reduced it by a percentage of your *estimated Social Security benefit**. For most members, this estimated amount of Social Security is greater than their *actual* Social Security benefit.

Therefore, the law enables you to voluntarily provide LACERA with evidence of your actual Social Security benefit **within 6 months after your retirement date**. If your Social Security benefit is *less* than our estimate, LACERA will adjust the Social Security reduction and increase your retirement allowance. However, if your Social Security benefit is *more* than the estimated amount used by

LACERA and you voluntarily present verification, your allowance will be reduced. Please note that we cannot adjust your allowance unless you provide the verification **within 6 months after your retirement date**.

If you do not bring in the verification, or you bring it in more than 6 months after your retirement date, LACERA cannot change your retirement allowance.

*Currently, retirement estimates do not show your estimated Social Security benefit. To obtain this information, please call LACERA at 800-786-6464 and we will provide it to you. 

COBRA Eligibility cont'd from pg. 1

for paying their own premiums at the current COBRA rate which includes a 2% administrative fee. Each year the COBRA rate is adjusted to reflect the actual cost of coverage. If you elect to

continue coverage, you pay the full cost of that coverage.

You or your eligible dependents are responsible for notifying LACERA within 60 days from the date of any

qualifying event listed on page 1. If you need further information, please call LACERA at 800-786-6464 or 626-564-6132. 