LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

P.S. LACERA POSTSCRIPT

NEWS FOR ACTIVE MEMBERS

August 2000 Vol. 10 No. 2

From the EXECUTIVE DESK Marsha D. Richter CEO, LACERA

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POWER OF ATTORNEY, SHOULD YOU CONSIDER IT?

Steve Brown was a loving, careful husband. He kept all his records in order. He had written his will and, in case an accident or illness left him incapable of managing his own affairs, even had prepared a power of attorney.

Too bad the power of attorney Steve chose was the wrong kind.

Steve (not his real name, though this article describes a genuine situation), like many other people, was confused by the legalisms that surround the power of attorney and many other legal documents.

Good Intentions

Steve intended his power of attorney to protect his, his wife's, and his family's interests in case he became unable to make his wishes known. A power of attorney authorizes a lawyer, a financial advisor, a trusted family member or friend, or any other designated person to act as an agent for an individual. The authorized person functions like a court-appointed conservator, without the fees – often, many thousands of dollars – that a court-designated conservator can charge. However, the power of attorney does not require court approval. The individual who executes the power of attorney or empowers the agent to act on his/her behalf is the principal.

Steve's power of attorney, however, had a dangerous flaw in it. It automatically became invalid if Steve ever – through an automobile accident, a coma, or a condition such as Alzheimer's Disease – became unable to understand the range and consequences of his choices. This is known as a General Power of Attorney. A General Power of Attorney simply allowed Steve's wife to transact business in his temporary absence – while he was out of town or otherwise unavailable.

Steve lost consciousness after a stroke. And, despite his careful attention to detail, left his distraught wife and children with a terrible mess on their hands. Nobody could write checks to pay Steve's bills. No one could open Steve's safe deposit box. Nobody could make nursing-home arrangements.

Avoid Difficulties

To prevent situations like this, it would be wise for individuals like Steve – when or before they retire – to safeguard themselves and their loved ones with a Durable Power Of Attorney, which would stay in force even after an individual becomes incapacitated.

A Durable Power of Attorney contains a durable clause which is a provision stating that the designated person can continue acting on your behalf after you become unable to handle your own business affairs (this will include your retirement benefit transactions if specifically stated in the document).The durable clause can specify the option that best suits your situation. It can be designed to:

1) Authorize someone to assist you in handling your affairs before you become totally incapacitated,
2) Take effect only after you become incapacitated, or
3) Authorize your agent to act on your behalf before you become incapacitated as well as after you become incapacitated.

A durable power of attorney is an inexpensive, highly effective way to make sure that other people respect your wishes, even after you become incapacitated.

A General Power of Attorney does not contain the durable clause. This power of attorney will automatically terminate once you become unable to act on your own behalf. If you become seriously ill or permanently incapacitated, someone may need to transact your retirement affairs on your behalf (e.g. – changing your address, setting up a new bank account for your direct deposit, making tax elections, etc.). If this situation arises and you have a General Power of Attorney without a durable clause and the power to handle retirement matters, LACERA is legally required to withhold your retirement allowance payments until a court appoints someone to handle your affairs.

A Special Power of Attorney grants very specialized powers. A common type is one for health care decisions. LACERA cannot accept a health care special power of attorney to handle your retirement affairs even though the incapacity comes from a medical situation.

Specify Your Intent

To accomplish what you want, you must be very specific when preparing your power of attorney form. In other words, if you prepare a Durable Power of Attorney, which is specifically for Health Care, you designate a person (or agent) who will ensure your doctor complies with your wishes related to life-sustaining treatment. This same power of attorney cannot be used to authorize any transactions related to your retirement benefits. If you want your power of attorney to cover health care decisions, retirement benefit transactions, and/or any other financial affairs, when you can't handle them, you must specify each of these areas in the document. It is important to become familiar with the various types of power of attorney forms and understand the limitations for each type.

A Durable Power of Attorney is an economical legal document that remains valid, no matter what happens to the principal individual executing the document.
Among other things, the agent under a Durable Power of Attorney may have specific power to:

- Manage an individual's banking and other financial affairs.
- Handle all aspects of real estate transactions.
- Act for the individual when it comes to retirement benefits.
- Open safe deposit boxes and retrieve vital papers.
- Lend money – for example, from Steve's estate to his wife for her living expenses.
- Negotiate federal and state tax matters on behalf of the individual covered by the durable power of attorney.
- Admit the individual to medical or nursing facilities.
- Authorize medical or surgical procedures – or make other health care decisions.
- Fund, or continue to fund, a trust on behalf of the covered individual.
- Make tax-saving gifts to children or grandchildren.
- Designate beneficiaries of retirement accounts. (The agent making this designation may not receive any benefits from the designation.)
- Establish trusts that avoid the costs of probate and qualify for a major exemption from federal estate taxes.

Because the agent may be assigned all these powers, you need to choose someone carefully. Pick someone you trust – someone who will be calm and businesslike. Don't forget you should also designate an alternate agent in the event your first agent cannot carry out the duties. Once such a durable power of attorney is activated, it continues in force until revoked by the individual whose interests it protects, or until that person dies.

If you want to specify your wishes for the administration of your estate upon your death, you should consult an attorney to assist in preparing a living trust.

A durable power of attorney is an inexpensive, highly effective way to make sure that other people respect your wishes, even after you become incapacitated.

If you have questions regarding LACERA requirements for accepting a power of attorney document, please contact our office at 1-800-786-6464 and speak to a Retirement Benefit Specialist.

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A Parting Note...

The LACERA boards and staff extend thanks and well wishes for a bright healthy future to this board member.

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CODY FERGUSON will be leaving us after twenty-two years of service. He was elected by his fellow Safety Members to the Board of Retirement in January 1978 and served through his retirement in August 2000. During his terms he was Chairman for five years. He also was elected to the Board of Investments from January 1982 through December 1986, then re-elected January 1997 through December 1998.

Cody Ferguson has been selected for LACERA's highest tribute for his many valued contributions to LACERA. His name will be permanently inscribed on the LACERA Honor Roll that resides in the boardroom, and he will receive a scroll listing all his notable contributions. We would like to thank Cody for his help in establishing the 1982 Retiree Health Benefits Contract, the Supplemental Targeted Adjustment For Retirees Cost-Of-Living Adjustment (STAR COLA), and the 1994 Retirement System Funding Agreement. We also commend him for his diligent dedication to the LACERA boards.

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HEALTH CARE BENEFITS FOR YOUR RETIREMENT

The LACERA's health care plans offered for retirement are similar but not identical to the plans offered to our active members by the County Department of Human Resources and some union agencies. Medical plan benefits are set by separate negotiations between the County of Los Angeles and their respective unions for active employees within specific classifications. LACERA-sponsored health plans for retirees are established under a single contract between the County and LACERA, and offer the same benefit levels to ALL County retirees and their eligible dependents, regardless of their classification during active service.

You will have sixty days from your board-approved retirement date to enroll yourself, your legal spouse, and eligible dependents in the LACERA-sponsored health plan of your choice. In an effort to help you make the best decision possible regarding your health plan we will feature different options that are currently available to LACERA retirees. Last issue we covered the four different options under the Blue Cross Plan. This issue we feature the SCAN Health Plan.

SCAN HEALTH PLAN for retirees

A Medical Plan With Home Care Options

SENIOR CARE ACTION NETWORK (SCAN), is an organization of senior and community leaders committed to keeping older people healthy and independent in the comfort and privacy of their own homes. SCAN is a unique social HMO with a Medicare contract.

SCAN offers comprehensive health care benefits (like most HMOs) plus the safety net of extended home care services not offered by Medicare or other health plans.

SCAN Extended Home Care benefits include*

- Personal Care Services
- Homemaker/Housekeeper Services
- Home Delivered Meals
- Emergency Response Systems
- Adult Day Care

Medical benefits are provided by a Personal Care Physician you select from the continuously expanding Hospital and Physician Directory.

SCAN Medical benefits include:

- Unlimited Prescription Benefits
- Transportation (when needed) to medical Appointments (limited)
- Routine, Preventive Dental Care
- Chiropractic Coverage
- Podiatry Services
- Therapy Services
- Medical Supplies & Equipment

To qualify for SCAN Health Plan, you (or your spouse) must be age 65 or over, you must be enrolled in Medicare Part A and Part B, live within the SCAN Southern California service area, continue to pay Medicare premiums, and use SCAN providers for routine care. SmartCare is the companion health care plan for members or eligible spouses under age 65, and for eligible children.

SmartCare does not include the extended care services offered under SCAN. To be eligible for SmartCare, one member of your household must be enrolled in SCAN Health Plan.

SCAN currently offers services in Los Angeles County, parts of Orange County, San Bernardino, and Riverside counties. To confirm the service areas, please call SCAN at 1-800-915-7226.

*Extended home Care benefits are provided to those members with insufficient support systems (e.g., they must meet state criteria as Nursing Home Certifiable) as determined by a SCAN Resource Manager. Copayments may apply.

COMPARE THESE BENEFITS

		SCAN Health Plan	Senior HMOs*	Many Medi-Gap Policies	Medicare Policies
Most HMOs and Health Plans Cover These Basic Medicare Benefits	Hospital	✔	✔	✔	✔
	Doctor Visits	✔	✔	✔	✔
	Routine Periodic Physicals	✔	✔		
	Skilled Nursing Facility (if medically needed)	✔	✔	✔	✔
	Ambulance Service	✔	✔	✔	✔
	Home Health Care (if medically needed)	✔	✔	✔	✔
	Hospice Care	✔	some		✔
SCAN Health Plan and Some HMOs Include These Benefits	Prescription Drugs	✔	✔	varies	
	Optional Dental Plan	✔	✔	✔	
	Hearing Exams, Eye Exams	✔	✔		
	Eyeglasses	✔	✔		
	Hearing Aids	✔			
	Shared Ride Taxi Service to Appointments for All Benefits Above	✔	varies**		
	Caregiver In-Home Respite	✔	✔		
Special Additional Benefits Offered Only by SCAN Health Plan as a Social HMO	In-Home Nursing	✔			
	Home Health Aides	✔			
	Homemaker	✔			
	Personal Care	✔			
	Adult Day Care	✔			
	Home-Delivered Meals	✔			
	Electronic Monitors	✔			
	Custodial Nursing Home Facility	✔			
	Long-Term Care Management	✔			

*The benefits checked above are those generally offered by HMOs with senior plans in Southern California (such as Secure Horizons). For more details regarding these benefits, please contact the individual plans.

**Some plans do not have transportation to medical appointments. You must be enrolled in Medicare Parts A and B in order to qualify for SCAN Health Plans coverage.

Call LACERA at 1(800) 786-6464 if you have any questions regarding enrolling in the SCAN Health plan.

Plan ahead for your retirement. Take a look at the chart to compare SCAN's coverage with other Medicare plans.

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BENEFIT NOTES

by Alice Natale

Retirement Benefits
A Lifetime Value for You

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What is a lifetime retirement benefit worth to you?

This can be actuarially calculated in dollars, but the personal value it has for you is more difficult to measure.

Although all retirement benefits are designed to cover a lifetime, the benefits vary for each of us because of our unique situations. The benefit amount you receive is determined by your age at retirement, years of service credit, and average salary at the time of retirement. In addition, for retirees in Contributory Plans A, B, C and D, the accumulation of yearly cost-of-living adjustments increase the basic benefit with each passing year.

When you think about your monthly benefit, you probably want to know what the rate of return is on your investment? If you put $30,000 into the retirement fund, have 25 to 30 years of service, and retired in the 1960s or early 1970s, how much have your monthly allowances totaled so far? In most cases, members have received several hundreds of thousands of dollars since these early retirement dates. If eligible, you can also provide valuable survivor benefits to your designated beneficiary. (You must be married at least one year prior to your effective retirement date to provide survivor benefits for your spouse.)

Example: Member 1 retired in March 1969. Her contributions to the retirement fund totaled $18,000 and her monthly retirement allowance was $350. The $350 (monthly allowance) x 12 = $4200. The $4200 amount is the yearly base income level. $4200 multiplied by 31 years (from 1969 to present) = $130,200.00 in base allowance benefits received so far. In addition, the cost-of-living raises have greatly increased the monthly benefit so that the total return on her investment of $18,000 is about $180,000 or more.

Example: Member 2 retired in March 1978. His contributions to the retirement fund totaled $35,000 and he had a monthly retirement allowance of $700. The $700 (monthly allowance) x 12 = $8400. $8400 x 22 years (from 1978 to present) = $560,000 as the base allowance benefits received so far. Again the cost-of-living raises have significantly increased that amount.

Example: Member 3 retired in March 1998. She had $100,000 in total contributions and 28 years of service. Her monthly retirement allowance was calculated at $2500. Her rate of return on her investment is $30,000 for the first year ($2500 x 12). Each year thereafter she will receive another $30,000 plus cost-of-living raises each year. You can see that it does not take too long to receive a great return on your investment.

For Plan E members, we use your age at retirement, years of service credit, and final compensation which translates into a monthly benefit for life, with a 50% survivor benefit available.

In Plan E you make no contributions to your retirement account. Instead, your years of service credit and age at retirement are used to calculate the lifetime monthly benefit.

Example: Member 4 is a Plan E member. He has more than 20 years of service credit. He recently retired and has a $900 monthly retirement allowance. Having made no contributions to the fund, he has a remarkable rate of return on his zero investment. After one year he will receive $10,800 in base allowance benefits. After 20 years, he will receive $216,000. This is not bad after working 20 years and making no contributions to the retirement fund.

If your county career is somewhat short, you may feel that your benefits are not going to be so great. In fact, your overall benefit amount probably won't match the examples given here. However, your retirement allowance will still be a financial foundation for the rest of your life.

So what is the value to you? A defined benefit retirement plan like LACERA can provide a lifetime source of income for you.

This benefit can be a backbone for your financial security. Additionally, the health care benefits enrich your lifestyles by subsidizing your costs for vital health care needs and prescriptions. This can mean a lot of value in your eyes. If you compare the LACERA retirement plans with many other private sector pension plans, you may be pleasantly surprised at the value you are receiving in return for your county service.

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WARNING: Scam Artists Use Ventura Decision In Latest Scheme

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Some relentless scam artists have stumbled onto a new scheme. This new scam may be related to the various class action suits regarding the October 1, 1997 Supreme Court ruling in the Ventura Decision.

THE SCAM

Apparently the con artists feel this is a perfect setting for staging a scheme. One of our retirees recently reported the scam. A man claiming to be an attorney called the retiree and said he was about to settle a class action suit. The alleged attorney said he just found out that the retiree should have been included in the class action but was mistakenly left out. The con artist told the retiree he would have to wire transfer $350 from his bank and in return the con man would refund the $350 and also send a check for $8,000 as settlement. The man left a return phone number with a phony "wrong number" recording. Fortunately, the retiree did not go along with the scam and did not forward any money.

BACKGROUND

The Ventura decision required the inclusion of several special pay items as pensionable pay when calculating retirement allowances for LACERA members. However, the decision left a number of issues unresolved. Updates on the primary issues involved in the current litigation in San Francisco Superior Court are summarized below.

LATEST RULINGS

- **Termination pay** – cash-out of accrued benefits upon termination **need not be included in final compensation.**
- **Insurance-related benefits and flexible benefit contributions** – Payments to insurance carriers by means of a flexible benefit plan **are not required to be included in final compensation.** However, cash payments made to members from flexible benefit plans are required to be included in final compensation. The court has deferred ruling on whether the *cap* for the amount of cash an employee can receive should be included in pensionable earnings.
- **Employer pick-ups of employee retirement contributions** – In cases where a county has agreed to pay some or all of the employee contributions to the retirement system, such payments **are not required to be included in final compensation.**
- **Retroactivity** - On July 27, 2000, the court established a schedule for determining whether the Ventura decision should be applied retroactively to members who retired prior to October 1, 1997. Between now and May 4, 2001, the parties will be taking discovery and briefing the issue.

The court has scheduled a hearing for June 1, 2001 at 9:30 a.m. to allow counsel to present oral argument. It is anticipated the court would issue its ruling within 30 to 60 days after the hearing. If either party appeals the final court ruling, the process could take an additional one to two years.

CLASS ACTION STATUS

All LACERA members are already included in the coordinated class action suits now pending in San Francisco. **You do not have to take any individual action, and you do not have to pay any money or fees.** If the attorneys representing the class are successful in obtaining a judgment for LACERA members, they can be awarded attorney fees, which would either be deducted from the class recovery, or paid separately by LACERA.

PRECAUTIONS AND ACTIONS TO TAKE

If anyone approaches you and requests that you pay money or fees in order to be part of a class action that has already settled, *DON'T DO IT!*

Please report the incident to:

- Los Angeles Police Department – Bunco Unit (213) 485-3795 or
- Los Angeles County Department of Consumer Affairs (213) 974-1452

CON ARTISTS ARE ALWAYS IN OUR MIDST

Always be on the lookout for other types of fraud and con games used against senior citizens. Con artists peddle everything from useless water purifiers, to free vacations, to get rich quick investment schemes, and even gold mines! If it sounds too good to be true, it probably is!

If a con artist swindles you, don't be too embarrassed to report the incident. Contact your State Attorney General, Office of Consumer Protection; or the FTC, Telemarketing Fraud, Room 200, 6th & Pennsylvania Ave. NW, Washington, D.C. 20580

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Do You Need To Update Your Beneficiary? (Contributory Members Only)

Changes in your family life may require you to adjust your beneficiary information with LACERA. A review and update now will help provide for a smooth hassle-free benefit payment to your eligible beneficiary.

If any of the following events occur, you may need to update your beneficiary designation on file with LACERA.

- **Change in your marital status before or after you retire** -- married, divorced, widowed or re-married. (If your marital status changes after retirement, you may need to name a new beneficiary to receive the lump-sum death payment.)
- **A name change is required for your beneficiary**

We have had cases in the past where members died, and we could not immediately release funds to the beneficiaries because the beneficiary information was not updated. This can easily be avoided if members remember to contact us whenever a beneficiary change is necessary.

Retirement law provides that upon the death of an active member, the rights and claims of the surviving spouse to receive the survivor allowance may be superior to and supersede the rights and claims of any other named beneficiary. Sometimes the named beneficiary was an ex-spouse, and the surviving family members were upset that the ex-spouse received the benefits instead of a family member. In some situations, there is a legal requirement to provide survivor benefits to an ex-spouse. In other situations, members may simply forget to complete a beneficiary designation change form to delete the ex-spouse as a beneficiary.

A review and update now will help provide for a smooth hassle-free benefit payment to your eligible beneficiary.

For retired members, the unmodified retirement option offered under Plans A, B, C and D provides a continuing allowance to the surviving spouse if you were married at least one year prior to your date of retirement, whether your spouse was named as beneficiary or not. We advise all members to ensure that the named beneficiary on file with LACERA is current and correct.

If you wish to change your beneficiary information or you are unsure about who you have listed, please give us a call at 1-800-786-6464. Our Retirement Benefit Specialists will assist you with getting your beneficiary file in order.