LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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SPOTLIGHT ON SANDRA J. "SANDY" ANDERSON

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It is definitely deja vu for **Sandra J. "Sandy" Anderson** as she served on the Board of Investments in the past from January 1989 to January 13, 1993. She was recently **elected by the retired members to serve a new three-year term on the Board of Investments.** Ms. Anderson replaces Norman S. Johnson who retired at the end of his last term on December 31, 1999.

Sandy possesses an impressive balance of professional experience. Currently, as a sole practitioner in her own law firm, she specializes in probate and trust law; estate planning; and elder and dependency law.

From 1980 to 1993, Sandy was the director of governmental and community relations for the L.A. County Department of Health Services – one of the largest public health care providers in the U.S. In this capacity, she served as a consultant and speaker for statewide and national organizations. During this time span, she was also a deputy director for juvenile and emergency programs where she managed 650 staff including administrators and medical managers with a budget of $50 million. Here she directed the development of the first trauma system plan presented to the County Board of Supervisors and developed and implemented the first service modification plan for California Children Services, later adopted statewide to maintain program expenditures within budget.

A significant amount of Sandy's budget and organizational development experience stems from her tenure at the L.A. County Chief Administrative Office (CAO) from 1973 to 1980. This office is well known for its arduous analysis and preparation of county departmental budgets. As an assistant division chief and chief analyst, she directed the planning, development, and implementation of the L.A. Health Planning and Development Agency which included organizational analysis and system design. She also designed a $3.5 million budget for the agency in accordance with Federal, State, and County laws and regulations and supervised countywide grant programs. During 1964 to 1973, Sandy worked for the L.A. County Department of Social Services as a supervising social worker; and she then moved on to become a deputy district director managing the administrative functions and grant expenditures exceeding $10 million monthly.

Academic accomplishments for Sandy include a B.A. degree in political science from the University of California, Berkeley in 1961; an M.A. degree in political science from Atlanta University in 1962; a Master of Social Welfare degree from the University of California, Los Angeles in 1971; and a J.D. degree from Whittier College in 1980. It is remarkable to note that Sandy attended law school from 1976 to 1980 while working at the CAO and she passed the California State Bar exam on her first sitting in 1980. She was admitted to the California State Bar in 1980. Additionally, she is a member of the L.A. County Bar Association and the Beverly Hills Bar Association. Other professional memberships for Sandy include the Black Women Lawyers and Women Lawyers Associations.

Although she's actually a retired employee of L.A. County, Sandy stays busy as an attorney at law. She still reserves time to spend with her husband and three adult children.

Welcome back to the Board of Investments, Sandy!

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ANNUAL STATEMENTS ROLLOUT MONTHLY

LACERA has taken another big step forward in its efforts to provide you with the best customer service possible. Last August 1999, you received your Annual Benefit Statement along with 77,000 other active members of the county. Of course it was predictable that our phones would be overloaded with calls and our staff deluged with beneficiary changes to resolve. We hope that situation will be eased now that we are mailing 1/12th of the Annual Statements every month.

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Our Birthday Greeting to You

Watch for your Annual Benefit Statement in the mail the month following your birthday. We are beginning this rollout in March 2000 for members whose birthdays are in January and February. Since your last statement was based on data through June 30, 1999, your new statement will reflect less than one year's worth of accumulated contributions or service credit if your birthday month is before June. Those of you born in July through December will have more than one year's worth of data. By this time next year, everyone's statement will reflect a full year's data, except for new members. The effective date of your statement will be the last day of your birth month.

Please read your statement thoroughly to be sure all your personal information is correct. If you were eligible to retire as of your birthday, your statement will provide a retirement estimate based on your current age, service credit, and average salary (final compensation). The statement also gives you a second estimate based on waiting five more years before retiring. We hope this will assist you with your financial and retirement planning.

If you are in a contributory plan, please be sure to name a beneficiary. You are able to update your beneficiary information, if necessary, directly on the form and mail it to LACERA. If you were unmarried upon employment with the county and are now married, you need to update your beneficiary. If you have divorced or become widowed, please review your beneficiary designation and make the appropriate changes. LACERA does not maintain beneficiary information for active Plan E members because there are no employee contributions to distribute prior to retirement.

Remember to update your home address with your Personnel Office if you have moved. LACERA uses the official address on file with the County Auditor-Controller's Office to send Annual Benefit Statements to your home.

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RETIREE HEALTH CARE BENEFITS

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LACERA's health care plans for retired members are similar but *not identical* to those offered to active employees by the County Department of Human Resources and some union agencies. For active employees in represented classifications, medical plan benefit levels are set by separate negotiations between the County of Los Angeles and their respective unions. LACERA-sponsored health plans, on the other hand, are established under a single contract between the County and LACERA and so offer the same benefit levels to all County retirees and their eligible dependents, regardless of their classification while in active service.

When you retire, you will have 60 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. To help prepare you for the choices you will have to make when you retire, we are beginning a series summarizing the health care plans that would be available to you if you retired today. This issue features the Blue Cross plans. Descriptions of other plans will follow in later issues.

BLUE CROSS - A COMPARISON OF THE PLANS

There are four different options to choose under the Blue Cross plan.

Indemnity Plans		Deductible
Blue Cross Plan I	You may see any physician you choose and the plan pays 80% after deductible has been met. Hospital room and board is covered at $75 a day.	Individual $100 Family $100
Blue Cross Plan II	You may see any physician you choose and the plan pays 80% after deductible has been met. Hospital room and board is covered at 90% for a Preferred Provider Option (PPO) hospital (non-Medicare members only) or 80% for a non-PPO hospital for a semi-private room.	Individual $500 Family $1,500
Blue Cross Prudent Buyer Plan	If you see a Prudent Buyer physician: • *You may see any physician you choose.* • *The plan pays 80% after deductible has been met.* If you see a non-Prudent Buyer physician: The plan pays 70% after deductible has been met.	Individual $100 Family $200
Medicare Supplement Plan		**Deductible**
Blue Cross Plan III	You may see any physician you wish and Medicare pays 80% of approved charges, and the plan pays 20% of Medicare approved charges.	None

Blue Cross Plan III is a Medicare Supplement Plan available to retirees and/or their dependent spouses who are Medicare eligible and enrolled in Medicare Parts A and B.

When you retire, you will receive an information packet with complete details and a chart comparing all of LACERA's health care plans. If you have any questions regarding the LACERA-sponsored health plans, please call LACERA at **1-800-786-6464**.

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Board of Investments

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Welcome returning Board members

Simon Russin was reelected to serve another three-year term which expires in 2002. Mr. Russin also serves as Secretary of the Board.

Daniel Cohen was reappointed to serve another three-year term. Mr. Cohen's term expires in 2002.

BOARD NEWS

We also welcome **Larkin Teasley** who was appointed by Supervisor Yvonne Brathwaite-Burke to serve a three-year term. Mr. Teasley is certainly no stranger to LACERA; he served on the Board of Investments from 1996 through 1998.

Farewell to **Michael Schneider** who completed his term on the Board, December 31, 1999. We thank Mr. Schneider who served as Vice Chair of the Board of Investments and we wish him much success in his future endeavors.

So long, farewell, auf Wiedersehen, good-bye!

LACERA Boards and staff bid farewell, much success, and good health to long-time Board member, **Norman Johnson**, who retired in December 1999. Mr. Johnson served on the LACERA Boards from 1978 to 1999. During that time, he was Chairman for 8 ½ years.

Mr. Johnson was honored and acknowledged for his significant contributions to the success of the Association and his name was permanently inscribed on the LACERA Honor Roll. Mr. Johnson will certainly be missed by all who had the privilege of working with him during the 21 years he served LACERA

Board Committees For 2000

Your Board members not only attend Board meetings, they also attend special committee meetings to review issues that will enable them to make recommendations to their respective full Board. Board members may also serve on two joint committees which are comprised of members from both Boards.

Board of Retirement

Insurance, Benefits, and Legislative Committee
Robert Stotelmeyer, Chair
Michael Falabrino, Vice Chair
Les Robbins
Simon Russin
Alternate: Warren Bennett
Staff: Kathy Migita, Marsha Richter

Disability Procedures and Services Committee
Warren Bennett, Chair
Les Robbins, Vice Chair
Michael Falabrino
Simon Russin
Alternate: Sadonya Antebi
Staff: Sylvia Miller, David Muir

Operations Oversight Committee
Simon Russin, Chair
Warren Bennett, Vice Chair
Robert Stotelmeyer
Sadonya Antebi
Alternate: Bruce Perelman
Staff: Robert Hill, Gregg Rademacher

Joint Committees

Travel Policy Committee
Les Robbins, Chair, BOI
Sandra Anderson, Vice Chair, BOI
Warren Bennett, BOR
Bruce Perelman, BOR
Alternate: Sadonya Antebi
Staff: David Muir

CEO Evaluation Policy Committee
Richard Shumsky, Chair, BOI
Estevan Valenzuela, Vice Chair, BOI
Simon Russin, BOI
Les Robbins, BOR
Warren Bennett, BOR
Robert Stotelmeyer, BOR
Staff: Janice Golden

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SPOTLIGHT on Bruce Perelman

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Bruce Perelman is the newest and youngest member of our Board of Retirement. With positive zeal, he began his three-year term of office, which expires on December 31, 2002. The Board welcomed him at his first committee meeting on January 25, 2000. In a refreshed vision, Mr. Perelman looks forward to greater use of the Internet to ease member access to both general and personal retirement information, while reducing administrative costs.

The Los Angeles native has a history of leadership and community activism. As far back as 1982, at the age of 15, he perceived a lack of basic healthcare, particularly for the Latino population in his community. He decided to do something about it and set out to provide free immunizations against diphtheria, tetanus, whooping cough, polio, measles, mumps and rubella, as his Eagle Scout project. He recruited volunteers and organized support from local businesses, health care professionals, the Los Angeles County Board of Supervisors, and the County Health Department. He launched a bilingual immunization education campaign and ran three free bilingual clinics where 224 immunizations were administered along with the creation of related health records. He was presented with an American Flag, which the United States Congress flew over the Capitol Building in his honor. In 1985, he graduated Salutatorian from Culver City High School as the varsity athlete with the highest grade point average.

While living in Pamplona, Spain for a year, he learned about the Spanish culture and then returned to the U.S. to attend college. He graduated summa cum laude in 1991 from Tufts University near Boston with a bachelor of science in civil engineering and a minor in engineering management. He worked briefly with the Department of Energy, in New York, addressing issues related to the disposal of nuclear waste, and then drove cross-country, returning to Los Angeles. He was hired by the County Department of PublicWorks and has been promoted three times to reach his current position of Supervising Civil Engineer I. He enjoys sailing, hiking, and skiing; and he is a volunteer CPR instructor with the Red Cross.

Mr. Perelman plans to leverage his experience in County service to ensure the best possible creation and execution of retirement system policy to benefit all members of the County family.

We congratulate Mr. Perelman on his election to the Board of Retirement and welcome him as our newest member. His activist background and professional experience will be a positive force on the Board.

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From The Executive Deskof Marsha D. Richter, CEO LACERA

DEFERRED RETIREMENT OPTION PLANS

Some of you reading this article may have already heard of a special feature within a defined benefit plan known as a DROP (or Deferred Retirement Option Plan.) While LACERA is not considering a DROP at the present time, we feel it's important to keep our members informed of current developments within the 20 counties governed by the County Employees Retirement Law (CERL) and other reciprocal systems.

Because CalPERS is currently designing such a plan for its members, we suspect many of you will begin to hear reports of a new state retirement option. The San Diego Police and City DROP was first offered several years ago to all retirement-eligible employees.

Since 1981, when the first DROP was implemented in Baton Rouge, Louisiana, they have become a popular feature with retirement associations across the country — primarily because each agency can customize its DROP to meet specific member needs. These plans vary significantly, are often quite complex, and raise substantial issues regarding funding, market performance, taxation, administration and recordkeeping.

Typically, once a member elects a DROP, he is considered to be retired and his monthly benefit accrual is frozen. However, he continues to work and receive a salary. During the DROP participation period (typically 3-5 years), the monthly pension benefit is redirected to his DROP account, which is 100% vested. Some plans also require that member and/or employer contributions be directed to the DROP account. When the member leaves service at the end of the DROP participation period, he receives a monthly allowance based on his age, service, and final compensation prior to entering the DROP. He also receives a lump-sum amount equal to all accumulated retirement payments in his DROP account plus any credited interest. Tax consequences may be significant.

Even though each DROP is unique, they all have certain design features in common. DROP participation is always voluntary, and each person who elects to join:

- Remains an active employee
- Receives a lump-sum payment and a monthly allowance when employment is terminated
- Has an incentive to retire either earlier or later (according to plan design)

For example, some defined benefit plans establish a limit on the percentage of final compensation a member may receive, regardless of years of service. A DROP could encourage a member who reached that cap to continue working by redirecting all contributions during his final years of employment in order to provide a lump-sum payment when the DROP participation period ends. Depending on plan design and IRS rules, the lump-sum payment could be immediately withdrawn, left in the plan for a period of time, converted to an annuity, or rolled over to another tax-deferred account.

In order to remain updated on these plans, LACERA staff will attend a March 6 DROP symposium in Sacramento hosted by SACRS, the State Association of County Retirement Systems. Should any future CERL legislation be proposed, LACERA will be informed and able to actively contribute to the formation of legislation and plan design. In the meantime, we'll keep you posted on significant developments.

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DIRECT ROLLOVERS

Are you an active member wanting to purchase County or non-County service credit?

Are you terminating County service with an outstanding payment contract?

Are you retiring earlier than anticipated with a balance due on your payment contract? If your answer to any of these questions is "yes," you may want to consider making a lump-sum contract payment with funds from your County or other tax-qualified savings plan. The easiest way to do this is through a direct rollover.

A direct rollover allows you to transfer money from one tax-deferred plan to another tax-deferred plan without paying taxes on the money. Taxation is, therefore, postponed until you actually receive the money at some future date. This type of rollover is referred to as "direct" because the plan administrators complete the transaction by issuing a check from one account made payable to the other.

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Direct Rollover To LACERA

As long as you meet certain conditions, you can roll over money from your tax-qualified 401(k) County Savings Plan to your tax-qualified retirement plan to be used as a lump-sum payment toward the purchase of service credit. You can also roll over money from a 401(k) or other qualified plan that you've established with another employer. You cannot do a direct rollover from any 457 deferred compensation plan (such as the County Horizons Plan) because it is not tax-qualified.

The following conditions apply to any active, terminated, or retired member who initiates a direct rollover from the 401(k) County Savings Plan:

- An active member must have participated in the 401(k) County Savings Plan for at least 10 years. If the member is under age 59 1/2, she may roll over only her vested County contributions. If she is 59 1/2 or older, she may roll over both her own contributions and her vested County contributions. The minimum amount is $1,000, and the member must request the rollover before the payment contract is signed.
- A terminated member who has deferred her retirement may roll over both her own contributions and vested County contributions, regardless of age, any time prior to (or within 120 days after) her effective date of retirement.
- A retired member may roll over both her own contributions and vested County contributions within 120 days after her effective date of retirement — or 120 days from the date of the Board of Retirement letter if retirement is for disability.

To initiate a direct rollover from your 401(k) County Savings Plan, you must first obtain a Distribution Request Form from Great-West, the plan administrator. After completing this form, you must have it signed by an authorized LACERA representative. Great-West will issue a check made payable to LACERA, which is applied toward the balance of your service credit payment contract.

To initiate a direct rollover from a non-County 401(k) or other qualified plan, you must contact your previous plan administrator. The IRS requires that the administrator of the distributing plan confirm in writing that the plan is, in fact, tax-qualified. This requirement protects the plan receiving the funds from jeopardizing its tax-qualified status.

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THE JARGON OF HEALTH INSURANCE

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Have you ever wondered what all the abbreviations mean when you read information about Medicare or other medical insurance plans? With the frequent use of acronyms to describe today's health insurance benefits, it is hard for the layperson to keep up with the different meanings.

Following is a glossary of common terminology and acronyms used in our modern day health insurance arena:

INDEMNITY PLAN – A health care plan that provides cash payment for designated covered services to physicians, hospitals, and other providers. Payments may be made directly to service providers or as reimbursement to plan members.

MEDICARE SUPPLEMENT PLAN – Anindemnity plan for individuals who are enrolled in both Part A and Part B of Medicare. The plan supplements Medicare coverage by:

- Paying Medicare Part A deductibles and copayments, as well as Medicare Part B deductibles, and 20% of Medicare-approved amounts;
- Providing coverage for certain items that Medicare doesn't cover, such as some prescription drugs and care while traveling outside the United States.

Blue Cross III is the only Medicare supplement plan currently offered to LACERA retirees.

MANAGED CARE — A type of health care organization - such as a health maintenance organization (HMO) or a preferred provider organization (PPO) — that seeks to provide quality care and manage costs by monitoring how member doctors and hospitals treat patients.

HMO — A Health Maintenance Organization (HMO) is an organized system of health care providers who offer a wide range of health care services (e.g., pediatrics, internal medicine, surgery, obstetrics, etc.,) to their members. HMO members receive health care for a fixed, prepaid monthly fee. Medical services are usually provided by a primary care physician who treats you or, when necessary, refers you to other physicians within the HMO network.

INDEPENDENT PHYSICIANS ASSOC. (IPA) — A type of HMO that consists of individual physicians or medical groups in private practice throughout the community who contract with the HMO to provide medical services to members.

PREFERRED PROVIDER ORGANIZATION (PPO) — A group of physicians or hospitals that contact with insurers to provide health care services to subscribers at discount rates. These providers are often called "Network" or "Preferred Providers." Services provided through the PPO network usually have higher benefits than services provided out of the network.

FEE FOR SERVICE — Patients pay deductibles and copayments; insurer pays the rest. Patients may see any doctor and use any hospital they choose.

POS — Point-of-Service plan. A type of managed care medical plan that allows members to choose how to receive services at the time they need treatment. For example, members may decide to use HMO providers, PPO providers, or an outside provider. Although the services of an outside provider are covered, benefits are greater if members select either HMO or PPO providers.

EOB — Explanation of Benefits. Explanation of how claims are paid. Used extensively in Fee for Service plans.

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BENEFIT NOTES *By Alice Natale*

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A Little Homework Helps When Planning Your Retirement

If you are in the planning stages of retirement, now is the time to obtain birth certificates of spouses and minor children and marriage certificates *to submit when you actually retire*. We require the original or certified copy with the seal on it. We will accept this document at the public counter and return it immediately to you. If you wish you can also send it in, but be sure to put the member social security number as well as spousal social security number on the form.

If you are married, your spouse (whether named as a beneficiary or not) has a community property interest in your retirement benefits.

If you are single or married with minor children, the birth certificates for the eligible minor children are needed for dependent coverage in the insurance plans as well as for protection for future survivor benefits.

We recommend planning for retirement by obtaining an estimate about four or five months in advance. Once you have spent some time thinking about retirement, submitting your application two months ahead of time results in your retirement process being an easier event than if you come into our office to sign up the day before you intend to retire. Advance planning allows you time to think about what you are doing, allows time for us to process the paperwork and time for your department to initiate your outgoing paperwork. Timely processing of this paperwork will enable LACERA to pay your first retirement check in a timely manner.

What is reciprocity?

Reciprocity is a special relationship between two or more public agencies within California. Reciprocity is established if you leave one agency and move to another reciprocal agency within 180 days. By doing this, the pension from each system is based upon the agency with the highest earning period, the member's rate of contribution is based upon the age in the first agency, and a continuum of public service is created.

There are basic considerations as this relationship is established. Service credit must be consecutive, not overlapping. With these parameters in mind, planning a termination date and a start date in a new agency requires some timing.

LACERA gives credit for any days worked and paid in the last month of service.

This can affect a member's ability to establish reciprocity. By resigning on the 20th of a month a member has credit for the whole month with LACERA. In entering some of the other public agencies the membership begins the day one is hired. So by beginning the new employment on the 21st, or within the same month, the member now has overlapping service credit and is not eligible to establish reciprocity.

Another issue that keeps coming up is a member who leaves another agency, but uses vacation time for the first month on the new job to decide if the new job is ok. Once the member decides to stay, there is a termination date established in the original agency. When verifying the service credit we find that the member had a termination date after the start date with us. Again, the end result is that reciprocity is denied due to overlapping membership.

Benefits can be difficult to understand but this is an example of how to plan for the future. Please call LACERA and let us help you decide the best dates to transfer to establish reciprocity or to retire.