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Robert L. Spare Joins the Board of Investments

LACERA is proud to welcome Mr. Robert L. Spare to the Board of Investments. He attended his inaugural board meeting on February 13, 2002.

Mr. Spare brings more than 40 years of investment experience to the Board of Investments. His educational background includes graduating from Stanford University and the Naval War College. He served his country in the U.S. Navy and retired with the rank of Captain from the Naval Reserve Intelligence Program.

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401(k) Funds May Be Used to Purchase Service Credit

Did you know that as an active, terminated, or retired member of LACERA you may directly roll over funds from your 401(k) County Savings Plan to purchase certain types of retirement service credit? After verifying the fund withdrawal date, LACERA will apply the roll over as a before-tax lump-sum payment. Federal law also allows a member's surviving spouse to roll over funds from other tax-qualified plans to LACERA to pay off an existing service credit contract. By purchasing your prior service credit, you increase your total years of service. The more years of service credit you have, the greater your retirement allowance!

Although 2002 Federal law now permits 457 (Horizons) rollovers, LACERA cannot accept them until State law is brought into conformity with the new Federal law.

401(k) Rollover Eligibility

Eligibility requirements to roll over your 401(k) funds vary depending on if you are requesting an In-Service Withdrawal, or if you have separated from County service and wish to pay off an existing service credit contract.

In-Service Rollover

- You must be an employee of the County of Los Angeles and a member in the 401(k) County Savings Plan for at least 10 years;
- If under age 59-1/2, you may only roll over your vested County matching contributions;
- If age 59-1/2 or older, you may roll over your own contributions and the vested County matching contributions;
- The minimum gross In-Service Rollover amount is $1000. (Two In-Service Withdrawals per year are allowed.)

Separation of Service

- If deferred, you may roll over your own contributions and vested County contributions, regardless of age, any time prior to retirement, or within 120 days from your effective date of retirement, to pay off an existing service credit contract.
- If retired, you may roll over your own contributions and vested County contributions within 120 days from effective date of retirement, or 120 days from the date of the Board of Retirement letter if retirement is for disability, to pay off an existing service credit contract.
- Rollovers of employee before-tax contributions, matching contributions, and earnings on after-tax contributions before age 59-1/2 may result in tax penalties. Talk to your tax consultant before making a withdrawal of any type.

For more information about purchasing service credit, or to request an application packet, go to the Order Now page at **www.lacera.com**. For additional information about your County Savings Plan, or to request a Distribution/Direct Rollover Request form, contact Great-West, the plan administrator, at 800-947-0845. You may also get information by visiting www.benefitscorp.com.

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Compare Defined Benefit and Defined Contribution Plans

LACERA's Defined Benefit Plan

1. Employer promises to pay specified benefit at retirement
2. Employer invests the funds and bears the risk of adverse investment performance
3. Benefit amount is determined by average pay, years of service, and age
4. Better inflation protection through COLA (cost-of-living adjustment) program
5. Funds not available during active service
6. Reciprocal pension benefits possible with specified public employers

VS.

Defined Contribution Plans — 401(k) and 457 Plans

1. Employer promises to contribute specified amount to member account periodically
2. Employee decides how to invest the funds and bears the risk of adverse investment performance
3. Benefit amount is determined by investment performance and amount of contributions
4. No COLA program
5. Hardship withdrawals permitted, sometimes loans permitted during active service
6. Possible transfer of member funds to tax-qualified plans as allowable by law*

*See articles on 401(k) Funds and on Federal and State Rollovers, page 1.

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Confused About Federal and State Rollover Laws?

Recent changes to Federal tax law governing retirement benefit programs have many LACERA members asking, "What does it all mean?"

Effective January 1, 2002, Federal law has loosened regulations regarding the contribution limits to 401(k) and 457 Plans, as well as rolling over before-tax contributions for those participating in 457 Plans. State law, however, has not conformed to these new changes. Therefore, the State limits for 2001 are still in effect. The new Federal contribution limits effective January 1, 2002, and current State contribution limits, are shown in the chart below:

PLAN	FEDERAL & STATE 2001	STATE LIMITS 2002	FEDERAL LIMITS 2002
(401(k) Savings Plan only	$10,500	$10,500	$11,000*
(457) Horizons Plan only	$8,500	$8,500	$11,000
Both Savings & Horizons		$8,500 combined for both plans	

* $12,000 if you are 50 or older at any time during the year; increases to $15,000 in 2006. May be increased if you are within 3 years of normal retirement and are eligible to make additional catch-up contributions.
1/17/01

Presently, the State contribution limits for 2002 are lower than the Federal limits. Therefore, if you exceed the State's allowable limit, a portion of your personal contributions could be subject to State income tax. In other words, if you contribute the Federal allowable limit for 2002, you'll be taxed by the State.

ROLLOVERS

In addition to increasing contribution limits, the new Federal law also allows active employees to roll over retirement savings between the following tax-qualified retirement vehicles: 401(a), 401(k), 457 and 403(b) Plans, IRAs, etc. Previously, this type of rollover was allowable only for those with 401(k) Plans.

County employees enrolled in 457 Plans would be able to use this new Federal change to purchase previous service credit. However, California State law currently prohibits 457 rollovers to other Plans until a member has terminated or retired. Because LACERA is bound by State law, accepting 457 rollovers from active employees would cause us to lose our State tax-exempt status. Consequently, until the State law is changed, LACERA can only accept rollovers of 401(k) funds.*

LACERA has amended its bylaws to accept plan-to-plan transfers, as well as accept rollovers from 457 Plans. However, this bylaw amendment will only become effective if the State conforms.

The inconsistency between these two tax laws is complicated and has many tax implications. For further explanation of the rules and regulations of your 457 Plan as governed by State law, consult with Great-West, a tax attorney, financial consultant, or read the Special Tax Notice on www.lacera.com.

* At the time of this writing, two bills have been submitted to bring State law into conformance with Federal law: AB 1743 introduced by John Campbell, and SB 657 introduced by Jack Scott. Visit www.leginfo.ca.gov for updates on the progress of these bills.

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Your Healthcare Future

As a County employee, you have LACERA's comprehensive health benefits program to look forward to in retirement. With a variety of plans to choose from, including Blue Cross, CIGNA, Kaiser, and PacifiCare/Secure Horizons, you will get comprehensive medical and dental/vision coverage. You'd be hard-pressed to find many comparable plans out there. And if you apply within 60 days from the date of retirement, your retiree coverage will begin immediately after your active coverage ends, so you won't have to worry about a lapse in your medical coverage.

For the last 30 years, LACERA has been continually striving to provide the most comprehensive medical services, at an affordable cost, for retirees. And despite rising national healthcare costs, more restrictive federal regulations, and higher premiums, the LACERA medical plans have improved with age. From the addition of a managed prescription drug mail order program to utilization review programs for indemnity plans, the benefits just keep getting better.

Each year, plan premiums are renegotiated with the providers. After the new rates have been finalized, packets are sent to all insured retirees announcing the new premiums and enabling them to change plans. New legislation requires LACERA to share proposed plan changes with organizations that represent retired county employees, and gives them an opportunity to comment. This legislation ensures that significant changes affecting health care benefits, including changes in carriers, plan design, and premiums, are fully disclosed before being enacted. The following retiree organizations are affiliated with LACERA: ALADS, LA County Firefighters Local 1014, POPA, AFSCME/LA, RELAC, Local 660 Seniors, and the Sheriff's Relief Association.

The plan design, subsidized by the County and administered by LACERA, is simple: If you have a minimum of 10 years of service, you are covered for 40% of your medical premium based on the Blue Cross Plans I and II rates (the benchmark plans). Thereafter, you get a 4% yearly increase in reimbursement for each additional year of County service. For retired county employees with 25 years of service, the County pays 100% of the benchmark plan rate. If a retiree's premium exceeds the benchmark plan rate, he or she is required to pay the difference every month-even with 25 years of service.

More sophisticated medical procedures, prescriptions, and equipment are getting increasingly expensive. The rising costs are being felt nationwide, and LACERA is also facing more challenges. But our partnerships with our healthcare vendors and the County remain strong, and we are not complacent. We are continually working on your behalf to maintain the most optimal healthcare plans for you when you retire, with the best options and the highest quality. You can be sure that despite rising costs, LACERA has your best interest at the heart of all our healthcare decisions.

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Access LACERA.com from LANet

If you are a County employee with access to LANet, but you do not have Internet access, now you can log on to the LACERA web site by typing www.lacera.com into your web browser. The implementation of this new feature enables you to browse the LACERA web site where you can find updated information on Retirement plans, use the Retirement Calculator, read, print, and order forms and brochures, and more-all without the need for Internet access!

Every page on the LACERA web site is fully navigable just like LANet. However, links to outside sources on the Internet are only available to those with Internet access.

LACERA and the County are very excited to have this new feature up and running, and we hope that you will find it useful and convenient!

Medical Plan Changes

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When You Retire, Take Note of Medical Plan Changes

Over the past several years, the medical insurance industry has experienced constant changes. While listening to the daily news reports, there are always discussions about medical insurance and how each company is addressing changes in Medicare regulations, Social Security requirements, and how to optimize patient care while controlling costs.

When you become a retired member of LACERA, it is very important that you carefully read all materials we mail to you. Pay special attention to documents highlighting any changes LACERA is required to implement. Always review the options available to you and make the best selection possible for yourself and your family. This is especially important with the constant changes and reorganizations within the insurance industry which may affect your medical plans.

Call LACERA at 800-786-6464 or visit our website at www.lacera.com to remain informed of ongoing changes.

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Are You Eligible for Medicare?

Were you a County employee on January 1, 1983? On this date the County of Los Angeles withdrew its employees from the Social Security system. If you did not earn enough Social Security credits before June 1, 1983, you may not be eligible to receive Social Security or Medicare benefits. However, if you were hired after March 31, 1986, you have paid taxes into the Medicare system as required by federal law. These payments may or may not be sufficient to establish Medicare eligibility for you even if you are not eligible for Social Security.

Following are the eligibility requirements for Medicare:

MEDICARE PART A

(Hospital Insurance Coverage)

Age 65 or Older

Medicare Part A is free to any person age 65 or older who is either:

o Eligible to receive a monthly Social Security benefit; or

o Eligible based on wages on which sufficient Medicare payroll taxes were paid.

You automatically apply for Medicare Part A when you apply for Social Security benefits. Your spouse may also qualify for Part A coverage at age 65, based on your eligibility for Social Security, or vice versa. When you enroll in Medicare Part A, you are automatically enrolled in Medicare Part B unless you decline it.

If you are not eligible for free Part A coverage, you may purchase this coverage by paying a monthly premium of $319.

Under Age 65 and Disabled

Medicare Part A is free to any person under age 65 who is disabled and has either:

o Received Social Security disability benefits for 24 months as a worker, surviving spouse, or adult child of a retired, disabled, or deceased worker; or

o Accumulated a sufficient number of Social Security credits to be insured for Medicare and meets the requirements of the Social Security disability program.

Special provisions for Part A coverage apply to a person of any age with chronic kidney disease who requires dialysis or a transplant.

MEDICARE PART B

(Supplementary medical insurance coverage for physicians, labs, testing procedures, etc.)

Automatic Enrollment

When you enroll in Medicare Part A, you are automatically enrolled in Medicare Part B unless you decline it. This rule applies to people age 65 or older, and also to those under age 65 and disabled or with chronic kidney disease. However, if you are not otherwise eligible for Part A, but pay a premium for the coverage, you must enroll in Part B if you desire that coverage. Part B coverage always requires payment of a monthly premium of $54, which is ordinarily deducted from your Social Security benefit. If you and/or your spouse are Medicare eligible, the County will reimburse the Part B premium.

This general information does not address every eligibility issue. For more comprehensive eligibility information and to review the Medicare rules and exceptions, contact your Social Security office or the Centers for Medicare & Medicaid Services (CMS).

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What Is Pensionable Income?

Recently, we have received a few queries regarding whether vacation, sick, or holiday pay are pensionable. If you have accumulated vacation, sick, or holiday time and are getting ready to retire, this unused time will be paid to you in a lump sum by the County after you retire. This sum is not included in your retirement allowance calculation.

Twice a year, eligible County employees are given the opportunity to "buy back" up to three days of accumulated sick leave, and this buyback is included in your compensation earnable. Certain job classifications, such as Firefighters, are eligible to accumulate and buy back holiday time with special limitations. Please visit our web site at www.lacera.com for more information about income that is considered compensation earnable (pensionable) and included in your retirement allowance calculation.

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Planning to Retire Next Year?

If your retirement is approaching, these are steps you can take to make it a smooth transition.
1) Establish one central location for your vital documents, including your marriage certificate and birth certificates for yourself and your minor children. Easy access to these documents will expedite the processing of your retirement and survivorship benefits.
2) Make sure your spouse and/or other beneficiaries know the location of your vital documents.

Below are additional documents you should have on hand, should you or your dependents need quick access to them when settling your affairs:
o Copies of wills or trusts
o Passports
o Citizenship papers
o Copy of deed to your home
o Copies of divorce decrees
o Copies of adoption or guardianship papers
o An outline of your asset holdings or your broker or financial planner's name and phone number
o Any other legal records pertaining to your estate

The retirement process is much smoother when members keep their vital documents in order and readily available. Other agencies such as Social Security may also require these documents when you are claiming benefits, so keep extra copies of them handy.

Divorced?

If you were divorced during the course of your career with Los Angeles County, you may have a "legal hold" placed on your retirement account when you retire. When this occurs, LACERA cannot initiate your retirement benefits until we have a court order stating how your retirement account should be divided.
When divorce proceedings are initiated, the following steps are taken:
1) A legal joinder is served to
LACERA. This means that
LACERA is a party to the divorce action and cannot disburse any funds from your retirement account without further direction from the court.
2) After the divorce is finalized, a court order is issued to LACERA directing how your retirement monies will be disbursed.

LACERA refers to these retirement cases as "legal splits." This means we must pay your beneficiaries according to the terms of the court order.

If you have gone through a divorce and LACERA has not received a court order by the time you retire, we must hold your retirement benefits until we receive the court order. You can consult your attorney to ensure a court order has been issued, or you can contact LACERA to check the status of your legal hold.

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When Should You Retire?

Have you ever wondered why there is so much talk about retirement in the late fall and early winter? Or why every spring sees an inordinate number of new retirees at LACERA? The reason is simple: By strategically timing their retirement, employees can maximize their retirement benefits.
The annual rush for retirement is confined to the contributory retirement Plans A through D. The people who elect to retire from contributory plans know that if they are retired on or before March 31, they will receive the annual cost-of-living adjustment (COLA) on April 1. And if the COLA is above 1%, there really isn't a better date to retire.

Of course, employees must also review other possibilities for retirement, and consider if it would make more sense to retire later in the year with more service credit. You must compare the difference to your retirement allowance if you were to work longer, versus retiring in March with the cost-of-living benefit added to your basic benefit.

Contributory plan members who are under age 62 in Plan A; age 65 in Plans B through D for General members; and age 55 for Safety members, must also take their birthdays into consideration. For example, if your birthday is September 20, then each additional quarter year of age increase (December 20, March 20, or June 20) will increase in your retirement allowance. In most cases, however, retiring in March and receiving the COLA percentage increase for the year will usually amount to a larger retirement allowance than waiting until June to include an extra quarter-year of age in the formula.

After you take your birthday into account, the next thing to consider is your completed years of service. And of course, you should carefully review your salary to make sure that the years used for computation include your highest earnings.

If you are a Plan E Member, your retirement date choices aren't as complicated because you don't have the COLA to consider.

Members in every retirement plan are welcome to visit the LACERA office and obtain more information about selecting a retirement date. We also encourage you to use the retirement calculator on the LACERA web site, for help in your pre-planning.

You may also want to consider what part of the month to retire. Active employees receive paychecks on a bimonthly schedule, but retirement payments are made only once a month, at the end of the month. If you retire in the last half of the month, your county paycheck will provide a more continuous income source until you are on the LACERA payroll, which occurs at the end of a month.