

P.S.

# POST SCRIPT

NEWS FOR ACTIVE MEMBERS

MARCH 2012 • VOL. 23, NO. 1

## Board Adopts New Interest Rate Schedule

Based on a recommendation by our actuary, LACERA's Board of Investments voted to lower the assumed rate of investment return (also known as the interest rate) on the retirement fund (Fund) from 7.75 percent to 7.50 percent over a three-year period.

### Understanding the Assumed Rate of Investment Return

An assumed rate of return refers to the minimum rate of return

an investment must average over the long term (30 years) in order to provide the funds needed to cover the Fund's liabilities (promised benefit payments). The assumption is affected by market conditions and reflects a prediction of how the economy will behave. As prescribed by law, this rate is set by our Board of Investments, based on a recommendation by an independent actuarial firm. The actuary's (Milliman, Inc.)

recommendation is based on careful review and analysis of various financial, economic, and market factors.

**Milliman recommended LACERA lower its assumed rate on investment returns from 7.75 percent to 7.50 percent.** After careful consideration, our Board of Investments voted to lower the rate to 7.50 percent over a three-year period.

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## Experts Offer Valuable Insight at Annual Board Offsite Conference

Being conversant in issues affecting retirement is a priority at LACERA. We believe our members benefit by having educated and informed board members and management. In keeping with our commitment to this education, we hold an offsite educational and fiscal planning conference every January. The latest conference included presentations by LACERA management and

experts on legislation, healthcare, investments, ethical conduct, and economics.

Meeting highlights included:

- **LACERA's Outreach**

**Strategies:** John Popowich, LACERA Member Services Manager, discussed a variety of approaches to augment outreach efforts to members throughout Los Angeles County. He outlined the history of

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**Los Angeles County Employees Retirement Association**

**Members of the Board of Retirement:**

**LES ROBBINS**

Chair  
Appointed by the Board of Supervisors

**SIMON S. RUSSIN**

Vice Chair  
Elected by General Members

**YVES CHERY**

Secretary  
Elected by General Members

**MARK J. SALADINO**

County Treasurer & Tax Collector  
Ex-Officio Member

**MARVIN ADAMS**

Appointed by the Board of Supervisors

**SADONYA ANTEBI**

Appointed by the Board of Supervisors

**JOHN M. BARGER**

Appointed by the Board of Supervisors

**WILLIAM DE LA GARZA**

Elected by Retired Members

**SHAWN R. KEHOE**

Alternate Member  
Elected by Safety Members

**EDWARD "ED" C. MORRIS**

Alternate Member  
Elected by Retired Members

**WILLIAM R. PRYOR**

Elected by Safety Members

**Members of the Board of Investments:**

**HERMAN SANTOS**

Chair  
Elected by General Members

**LEONARD UNGER**

Vice Chair  
Appointed by the Board of Supervisors

**DIANE A. SANDOVAL**

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Ex-Officio Member

**DAVID GREEN**

Elected by General Members

**WILLIAM R. PRYOR**

Elected by Safety Members

**MICHAEL S. SCHNEIDER**

Appointed by the Board of Supervisors

**ESTEVAN R. VALENZUELA**

Appointed by the Board of Supervisors

**CAROLYN WIDENER**

Appointed by the Board of Supervisors

Chief Executive Officer

**GREGG RADEMACHER**

Assistant Executive Officer

**ROBERT HILL**

Assistant Executive Officer

**JANICE GOLDEN**

From the **Executive Desk**

**Gregg Rademacher – CEO, LACERA**



## LACERA Retirees Pump \$1.8+ Billion into Los Angeles County Economy

The retirement and survivor benefits we administer were established by lawmakers in 1937 in recognition of the invaluable contribution made by County employees to the greater welfare of Los Angeles County.

So what does *greater welfare* of Los Angeles County actually mean? It means protecting the public health and safety and making the justice system work. It means maintaining the County coastline, operating the bus and rail services, conducting earthquake recovery projects, registering voters, and conducting elections. Or operating the libraries, museums, and parks and recreation facilities; or administering domestic violence shelters, senior service programs, and providing social services to at-risk children, as well as countless other services. Regardless of job title, LACERA members spend their careers serving the health, welfare, and recreation of County residents. For that service, the County contributes to their promised benefits. *The benefit is mutual.*

*“LACERA pension dollars strengthen local economies.”*

This underlying principle — “mutual benefit” — is the foundation upon which LACERA was designed. The tenet is so important we used it as the theme for our fiscal year 2010-2011 Comprehensive Annual Financial Report, as well as our Popular Annual Financial Report, which you received with your December 2011 *PostScript*.

### Benefits Pump Substantial Dollars into Local Economies

LACERA disburses \$2.2 billion annually in retirement and survivor benefits to Los Angeles County retirees and their beneficiaries. Over the past fiscal year, more than \$1.8 billion of that payroll was paid to approximately 45,000 retirees and survivors residing in Los Angeles County.

As we know, those hard-earned benefits help to secure the futures of County retirees and their survivors.

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## Executive Desk cont'd from pg. 2

What may not be as apparent, however, is the value-added effect these benefits have on the local economies of LACERA retirees. Let's take Los Angeles County as an example, since the majority of our retirees and survivors reside in the County.

Research shows that for every dollar LACERA paid in 2010 retirement benefits, the Los Angeles County economy realized an additional \$1.01 in economic impacts.\* This means **LACERA retirees and survivors pumped more than \$1.8 billion in additional dollars into the County economy through the money they spent on such items as food, medical services, transportation, and entertainment.** Their expenditures have a ripple effect; money spent at one local business enhances that business' revenue, which, in

turn, encourages that owner to spend more money at other local businesses. As the ripple effect continues, additional rounds of spending are generated. This ultimately leads to the creation of jobs, increased income, and expanded tax revenues. *The benefit is mutual.*

### Good for the Community

In addition to infusing more than a billion additional dollars into the economy through retiree expenditures, LACERA's defined lifetime benefits also protect our retirees and survivors from the need of public assistance, particularly in difficult economic cycles. By providing a lifetime benefit, LACERA plans allow retirees and their survivors to maintain a level of reliable spending power and ongoing

contributions to the local economy. This is often not the case with retirees who don't have lifetime benefits; those folks run a much greater risk of eventually tapping the resources of the local economy, rather than contributing to it.

**Defined benefit plans such as the one you have as a LACERA member are not only good for you, they're good for the community, as well!**



\*Computation based on research compiled by Dr. Robert Fountain of Regional Economics Consultants and methodology utilized in that group's July 2011 study for CalPERS, titled The Economic Impacts of CalPERS Pension Payments in 2010.

# FAQs - Entry Age

## Frequently Asked Questions

**1. Q: How does my age at entry into LACERA affect my member contribution rate?**

**A:** For both general and safety members, contributions are a percentage of your pensionable earnings and are based on your entry age into LACERA. For the course of your County career, your contributions are calculated based on your entry age. For example, if your official entry age is 30, your contributions will always be based on the age 30 rate, regardless of how many years you work.

**2. Q: My effective date of employment is 11/16/2011, and I was 30 years old on that date. I didn't turn 31 until 02/06/2012. Why, then, is my LACERA entry age 31?**

**A:** If your date of birth is within six months of your effective date of employment, LACERA rounds your age up to determine your official entry age, which is the basis of your contribution rate for the entire course of your County career. If, when you join LACERA, you are more than six months

from your next birthday, your entry age will be based on the age you were on the first day of your LACERA membership.

**3. Q: How is my entry age determined if I return to County employment and resume LACERA membership?**

**A:** Under certain conditions, entry age for returning employees may be based on the employee's age at the time the employee resumed LACERA membership. For more information, call 1-800-786-6464.

# Most Member Data Subject to Disclosure Under California Public Records Act

Until recently, LACERA understood Section 31532 of the County Employees Retirement Law of 1937 (CERL) — the law that governs LACERA — to mean all information pertaining to an individual member, including the amount of the member’s benefit payments, was confidential.

Section 31532 states “...[the] individual records of members shall be confidential and shall not be disclosed to anyone...”

Based on that understanding, LACERA’s policy had always been not to release individual member information.

## Courts Reject Confidentiality of Retiree Data

In recent years, various “public interest” groups have been successful in challenging that interpretation. Recent court rulings, including rulings by three California Courts of Appeal, have found confidentiality does not apply to most retiree information.

The courts ruled salary and pension information is subject to disclosure under the California Public Records Act (CPRA). The California Legislature created this law (Govt. Code, §§ 6250 - 6276.48) in 1968 to recognize the public’s right to information concerning the peoples’ business. **The CPRA grants the public access to information in possession of all California state and local agencies, including LACERA.**

## Active Member Data Also Subject to Disclosure

Information regarding active County employees is also subject to disclosure. The California Supreme Court has held the public has a right to know the names and salaries of public officials and employees under the CPRA.

## Certain Data Exempt from Disclosure

The CPRA exempts certain data from public disclosure.

According to the law, the following information is “confidential and shall not be disclosed to any person”:

- home address
- telephone number
- e-mail address
- California driver’s license number
- California identification card number
- Social Security number

## We Will Honor All Lawful Requests

To date, we have received requests from two news organizations for retiree information and expect to receive additional requests from other organizations and/or individuals in the future. LACERA will honor all lawful requests for information.

## For More Information

Visit the Benefits section of [lacera.com](http://lacera.com) for additional information regarding the CPRA.

## Inside [lacera.com](http://lacera.com)



We’ve redesigned and updated the Boards section on [lacera.com](http://lacera.com). The Board of Retirement and the Board of Investments each have their own overview page, which displays the following:

- Summary of Board composition, duties, and responsibilities
- Link to Board member profiles
- Link to bylaws
- Link to Board Committees
- Meeting Schedule with links to meeting agendas and minutes



Use the Boards tab on the top of the [lacera.com](http://lacera.com) home page to view the freshly reorganized and easy-to-navigate Board section.

## Interest Rate cont'd from pg. 1

### New Assumed Rate of Return Schedule Adopted by Board of Investments

Effective Date	July 1, 2012	July 1, 2013	July 1, 2014
Rate (percent)	7.70	7.60	7.50

#### Also Known as the Interest Rate

The assumed rate of return is also known as the interest rate in recognition of the interest earned (or assumed will be earned) on Fund investments, the interest applied semiannually to member contributions, and the interest LACERA charges on purchase contracts.

#### Why Rate Changes Are Sometimes Necessary

**We often remind you LACERA's mission is to produce, protect, and provide the promised benefits.**

Our mission stems from our legal duty to administer the Fund in a manner that ensures current, as well as future, members and beneficiaries receive all retirement benefits promised under the law.

It is our fiduciary duty to ensure the long-term health and viability

of the Fund. Under the law, we are obligated to monitor the Fund and make strategic adjustments, as needed. **These adjustments serve to strengthen the Fund, as well as ensure we fulfill our legal duty to pay the promised benefits.**

#### Overview of the Funding Process

Our Fund relies on three sources of funding:

- Investment earnings
- Employer (Los Angeles County) contributions
- Employee contributions (with the exception of Plan E, which receives no employee contributions)

Historically, investment earnings have accounted for approximately three-quarters of the money necessary to pay the promised benefits.

Keeping the Fund properly funded to pay the benefits promised today, tomorrow, and for decades to come is a complicated and ongoing process.

#### Rate Changes Affect ARC and Service Credit Purchases

Interest rate changes affect the cost of Additional Retirement Credit (ARC) and service credit. However, interest is only one factor affecting these types of purchases. The formula to calculate the lump-sum cost of ARC and some types of service credit involves a number of factors, including your current age, retirement plan, and salary.

**Typically, age and salary factors have a greater impact on cost than modest interest rate changes. Therefore, when you initiate such a purchase also affects the cost.**

### RULE OF THUMB FOR SERVICE CREDIT AND/OR ARC PURCHASES: *Sooner, rather than later!*

It is in your best interest to initiate these purchases as early in your career as you can afford.

**If you are not considering a purchase of ARC or service credit, the change in the interest rate will not affect you.**

#### Existing Contracts Will Not Be Affected

Changes in interest rates also affect

finance charges that are applied on purchase contracts. **However, the upcoming interest rate change will not affect contracts currently in effect and contracts we receive by June 30, 2012.** Once LACERA processes your signed contract, the interest rate is locked for

the duration of the contract; the interest rate applied to your first payroll deduction will apply throughout the term of the contract.

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# WORKSHOP SCHEDULE

## MARCH 2012

S	M	T	W	T	F	S
				1	2	3
4	5	S	N	8	9	10
11	12	G	N	15	16	17
18	19	G	N	22	23	G*
25	26	G	N	29	30	31

## APRIL 2012

S	M	T	W	T	F	S
1	2	S	N	5	6	7
8	9	G	N	12	13	14
15	16	G	N	19	20	G*
22	23	G	N	26	27	28
29	30					

## MAY 2012

S	M	T	W	T	F	S
		S	N	3	4	5
6	7	G	N	10	11	12
13	14	G	N	17	18	19
20	21	G	N	24	25	26
27	28	G	N	31		

G = General Members Pre-Retirement  
 S = Safety Members Pre-Retirement  
 N = New General Member H = Holiday

\*Saturday, March 24, 2012 (G): 9:00 a.m. – Noon; Montebello Library: 1550 W. Beverly Blvd., Montebello, CA 90640

\*Saturday, April 21, 2012 (G): 9:00 a.m. – Noon; Lancaster Regional Library: 601 W. Lancaster Blvd., Lancaster, CA 93534

\*Does not include presentations by Great-West or long-term care providers. General information only – no personalized estimates or one-on-one consultations.

**Call 1-800-786-6464 to Register**

Unless otherwise indicated, workshops are held at LACERA from 8:30 - noon. Most include presentations by Great-West and long-term care providers. New Member workshops run from 3:00 - 4:00 p.m.

## Board Offsite cont'd from pg. 1

LACERA's outreach strategies, reviewed current member demographics, and discussed the possibility of implementing mobile and satellite offices. He also explored neighborhood workshops, extended office hours, and other possibilities to better connect with all LACERA members.

- **LACERA Retirement Benefit Strategic Plan:** CEO Gregg Rademacher and AEOs Robert Hill and Janice Golden outlined the association's strategic plan for the next three years and underscored LACERA's commitment to delivering first-class member service.

- **Retiree Healthcare:** Cassandra Smith, LACERA Retiree Healthcare Manager, presented the strategic plan for retiree healthcare. Also, Michael Kanter, M.D., Medical Director of Quality and Clinical Analysis of Southern California Permanente Medical Group, discussed Kaiser Permanente's current healthcare quality rating and its plan for improving healthcare services.
- **Legislative Update:** Lobbyist Joe Ackler reviewed recent developments in California politics and their potential impact. [P.S.](#)

# 3 THINGS

A bird's eye-view of Los Angeles County, by the numbers:

- ◆ 129 square miles of islands
- ◆ 4,084 square miles of total land area
- ◆ 1,875 square miles of mountains

# Did You Know?

## Defined Benefit (DB) Plans

LACERA's COLA (cost-of-living) programs provide inflation protection.

- Whenever the increase in the Consumer Price Index for the prior year exceeds the maximum level allowable by their LACERA retirement plan, retirees and survivors receive an annual COLA benefit.

## Defined Contribution (DC) Plans

No cost-of-living program included.

- No protection against inflation.

# LACERA Congratulates Newly Appointed and Reappointed Board Members

We congratulate those individuals who were appointed to seats on LACERA's boards by the Board of Supervisors.

## Board of Retirement

**John M. Barger** joins the Board of Retirement with a solid understanding of LACERA, having served on the Board of Investments. He has over 25 years' experience as a lawyer, investor, financial entrepreneur, and public employee and is director of the Council of Institutional Investors and co-founder, managing director, and general counsel of the Latin American Reinsurance Company. Mr. Barger holds a Juris Doctorate from the University of California and a Master of Science in economics and finance from the London School of Economics.

## Board of Investments

Reappointed to the Board of Investments, **Michael Schneider**,

CPA, has previously served on the Board as Chair and Vice Chair. Mr. Schneider is the owner of a certified public accounting firm in Los Angeles and co-founder of Aluminum Recycling Company, Inc., one of the largest aluminum can recyclers in the U.S. He holds a Master of Science in quantitative business analysis from the University of Southern California.

**Leonard Unger**, continuing his substantial history of service, has been reappointed to the Board of Investments. He has an extensive law background, with experience in estates, trusts, and litigation. He is a member of various community, civic, and cultural organizations and serves on several other boards. Mr. Unger holds a Juris Doctorate from Berkeley and, in 1998, received the Thurgood Marshall Award from the Bar Association of the City of New York for his pro bono death penalty work. His knowledge

and experience are welcome contributions to the Board of Investments.

**Carolyn Widener** brings a wealth of retirement system experience to the Board of Investments. Prior to her appointment, Ms. Widener served as a California State Teachers' Retirement System trustee, where she participated in decision-making on actuarial valuations, annual budget adoptions, and personnel compensation. Ms. Widener also serves on the executive board of the National Conference of Public Employee Retirement Systems. Retired following a 40-year career as professor of English and a counselor at Los Angeles Community College, she holds a Master of Education in counseling psychology from the University of Southern California and a Bachelor of Arts in history from the University of California at Los Angeles.

*"Pair off in threes."* — Yogi Berra to his players during a spring training drill



## Interest Rate

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### Use Online Calculators to Approximate Your Cost

To approximate your purchase cost, use the ARC Calculator on My LACERA or the calculators in the Benefits section of [lacera.com](http://lacera.com).

For more information on interest rates, visit the Active Member section of [lacera.com](http://lacera.com) or call 1-800-786-6464 to speak with a LACERA Retirement Benefits Specialist.

In February, active LACERA

members were mailed a letter announcing the new interest rate schedule. To learn more about interest rates pertaining to the Fund, visit the Benefits, Active Member section of [lacera.com](http://lacera.com). *P.S.*

NEWSLETTER HIGHLIGHTS



### Upcoming Holiday

LACERA will be closed  
on **Monday, May 28** in  
observance of Memorial Day.



### Board Adopts New Interest Rate Schedule

More Inside!  
**MARCH 2012**

#### Editor's Note:

*PostScript* is published by the staff of LACERA. Signed articles represent the opinion of the writers and not necessarily the opinion of LACERA Management, Board of Retirement, or Board of Investments. Consult with professional advisors regarding legal, tax, and/or medical matters; LACERA does not offer legal, tax, or medical advice.

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