

LACERA

# Spotlight on Retirement

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION • NEWS FOR RETIRED MEMBERS

## VENTURA DECISION UPDATE

### *Court Issues Interim Rulings*

#### 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** – This is the term used to describe one-time cash payments for accrued but unused compensatory time, sick leave time, and vacation/holiday time that become payable only upon a member's separation from employment. **The court ruled that such pay does not need to be included in final compensation.**

#### **Insurance-related benefits and flexible benefit contributions** –

The court ruled that insurance premiums paid by the County for insurance benefits, whether paid directly to insurance carriers or to third parties by means of a flexible benefit plan, **are not required to be included in final compensation.** The court did generally rule, however, that cash payments made to members under flexible benefit plans **should be included in final compensation.** The court has deferred ruling on an issue specific to Los Angeles County, namely, the application of a "cap" on the amount of such cash that can be included in pensionable earnings. This specific issue will be decided by the court some time in the near future.

**Employer "pick-ups" of an employee's retirement contributions** – The court also ruled that, to the extent that a county has agreed to pay some or all of the employee's contributions to the retirement system, **such payments do not need to be included in final compensation.**

**Retroactivity** - On July 27, 2000, the court established a schedule for determining whether the Ventura decision must 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. Briefing takes time because there is an opening brief, a reply brief, and a closing brief. Then the court needs time to study the briefs.

The court has scheduled a hearing for June 1, 2001 at 9:30 a.m. to allow counsel to present oral argument. This date is subject to change if unexpected delays occur during the discovery and briefing process. 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.

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## STAR COLA PROGRAM FOR 2001

The Insurance and Benefits Committee is recommending the continuation of the STAR COLA program in 2001. The recommendation will be presented to the Board of Retirement for approval at its October 4, 2000 meeting. The projected cost of the STAR COLA program for calendar year 2001, as determined by LACERA's actuary, Milliman & Robertson, is \$30,027,000.

The STAR COLA program (Supplemental Targeted Adjustment for Retirees Cost-of-Living Adjustment) pays a supplemental cost-of-living benefit that is in addition to your monthly allowance, provided you are eligible. Surplus earnings of the retirement system are used to pay this supplemental benefit which restores retirement allowances to approximately 75% of the purchasing power held by retirees at the time of retirement.

STAR benefits are temporary benefits which your Board of Retirement must vote to continue on an annual basis. The Board has indicated its intent to annually renew the program as long as funding is available. If the benefit is approved for 2001, we will publish a chart in the December SPOTLIGHT to show you which contributory plan retirees will be eligible to receive the STAR benefit in 2001.

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## Public Service Announcement

### **VOLUNTEERS NEEDED FOR CONSUMER COUNSELING**

The L. A. County Department of Consumer Affairs is seeking volunteers to provide consumer counseling information to the public. Volunteers counsel consumers about their rights and responsibilities in the marketplace and receive training on numerous consumer laws, including landlord-tenant, credit, retail sales, contracts, automobile sales and repairs.

Training will be provided by department staff members who are experts in consumer protection laws. Volunteers are also trained to make referrals to other public and private agencies that assist consumers. Volunteers are asked to commit a minimum of four (4) hours of service per week as consumer counselors. Days and hours are flexible.

Volunteers are currently needed at the department's civic center office, located in the Kenneth Hahn Hall of Administration, and at branch offices located throughout the county. Free parking is provided.

The Department is especially interested in recruiting volunteers who are bilingual in Spanish, Tagalog, Chinese, and other languages.

The Los Angeles County Department of Consumer Affairs investigates and mediates consumer complaints of unfair, unethical, and illegal business practices. The Department also operates the Real Estate Fraud and Information Program, the Small Claims Court Advisor Program, a Dispute Settlement Services Program, and oversees cable television franchises in the unincorporated areas of the county. The Department provides service to more than 400,000 individuals each year.

For more information about this volunteer opportunity, please contact Espie Hernandez, Volunteer Coordinator, at (213) 974-9740.

### **CLERICAL WORKERS NEEDED FOR PRESIDENTIAL ELECTION**

Would you like to assist with the Presidential Election this year? There is a critical shortage of clerical workers for the upcoming election on **Tuesday, November 7, 2000**. The Department of Registrar-Recorder/County Clerk is now recruiting temporary clerical workers to provide assistance during the election.

Applications are available at:  
Registrar-Recorder/County Clerk  
Human Resources Office  
12400 Imperial Hwy., Room 2204  
Norwalk, CA 90650

For questions on hourly rate of pay, hours of work required, etc., please contact Julia Fuller at (562) 462-2280 between 8:00 a.m. and 5:00 p.m.

**TELL A FRIEND!**

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## FROM THE EXECUTIVE OFFICE

of Marsha D. Richter, Chief Executive Officer

### Senate Bill 670

#### Expanding Survivor Benefit Eligibility Requirements –

#### Board of Retirement Votes No

At its August 2 meeting, the Board of Retirement considered implementation of Senate Bill 670 (Expanding Survivor Benefit Eligibility Requirements). The Board voted against the implementation of SB 670. The vote was 5-3 with one member being absent. We have received numerous letters and calls expressing concern over the Board of Retirement's decision.

All of the Board members indicated support for the concept of expanding eligibility for survivor benefits to spouses acquired after retirement. However, a majority of the Board did not agree with the way SB 670 allows the benefit to be added to the LACERA plans. Under SB 670, authority for approving a benefit improvement is given to the Board of Retirement. Previously, optional benefit increases have required the approval of the Board of Supervisors.

Board members voting against SB 670 indicated they believed authority over benefit increases properly belonged to the Board of Supervisors and that benefit increases should be decided as part of the collective bargaining process.

In 1986 the legislature amended the retirement law to authorize the Board of Supervisors to approve this additional benefit. However, the Board of Supervisors never acted to approve it.

A number of retirees were present at the meeting and many addressed the Board to communicate their support for the implementation of SB 670. Their testimony concerning the need for this benefit was very powerful and moving. However, the five Board members who opposed implementation felt that the public policy issue of who should be responsible for approving benefits outweighed the merits of the benefit.

After its vote, the Board did ask staff to survey the membership to determine how many retirees would be affected by the benefit and also to determine members' interest in this benefit.

I know this is not the answer many of you would like to receive. I can only tell you that the Board has deliberated on this issue at length and in depth. It was a very difficult decision for them.

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## Shopping For A New Home? Looking To Refinance? LACERA Can Help!

### MEMBER HOME LOAN PROGRAM

If you are considering buying a new home or refinancing your existing mortgage, here is your chance to take advantage of a special feature offered through the LACERA Member Home Loan Program – a flexible interest rate lock-in option.

The interest rate lock-in option allows you (the borrower) to receive the lowest prevailing interest rate on **ONE** of the following dates: your application date, your approval date, or on the date your documents are drawn. You will receive the lowest interest rate of these

three dates and there is **NO EXTRA CHARGE** for this flexible feature. Typically, mortgage lenders will increase the loan interest rate by as much as  $\frac{1}{4}$  of 1% for this option. Or they may charge up to \$300 every time the rate is re-locked. You will save money by taking advantage of the LACERA lock-in option.

The MHLP offers a wide range of fixed and adjustable rate loans, all with competitive rates and low fees. LACERA active members and retirees are given the opportunity to take advantage of our exclusive LACERA Member Home Loan Program. Beneficiaries who receive an allowance from LACERA are also eligible to apply for home loans.

Other attractive features of the program include:

- Easy application process
- 25% discount off the 1% origination fee
- \$350 application fee includes credit report and appraisal report
- \$175 processing fee (other third party fees, escrow & title insurance may apply)
- Zero point loans available
- A dedicated 800 number
- Pre-approvals

GMAC Mortgage Corporation provides financing for the LACERA MHLP program, and they will assist you in completing your home loan application. Loan officers are available to visit your residence or job site to take your application. Or you may visit the GMAC offices to apply for a home loan. Also, the entire loan application can be completed by phone, mail or by fax.

LACERA can help you and your family save money with our Member Home Loan Program and lock-in option. Call 1-800-2-LACERA (252-2372).

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## New Health Insurance Enrollment Forms

We recently revised and consolidated our insurance enrollment forms. We now have three new forms:

1. Medical Plan Enrollment/Change/Cancellation Form,
2. Dental/Vision Plan Enrollment/Change/Cancellation Form, and
3. Medicare HMO Plan Enrollment Form.

If you need to complete one of the insurance forms, please be sure to use a ball point pen and press firmly on the form. This will ensure that we have a clear scanned image of the form that is easy to read on our new paperless filing system.

If you wish to make a medical and/or dental/vision plan change, please call the LACERA Insurance Services Section at 1-800-786-6464 to obtain one or more of the above documents.

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## CIGNA Terminates Seniors Medicare Risk HMO Plan

Effective January 1, 2001 CIGNA will terminate their Seniors Medicare Risk HMO plan in Southern California (Los Angeles, Orange, San Bernardino and Riverside Counties) and Tucson, Arizona.

With the rising costs of health care, CIGNA has determined it can no longer offer quality care and service at an attractive price for Medicare HMO subscribers. Because of the many changes mandated for Medicare by the Balanced Budget Act of 1997, CIGNA and other health insurance companies have struggled to keep costs down. The federal government has significantly cut the amount of money it pays to take care of senior citizens.

LACERA retired members affected by this change will receive written notices from CIGNA 90 days before the effective termination date of January 1, 2001. LACERA will also send special enrollment notices allowing members to enroll in another LACERA-sponsored health care plan with no waiting period and no lapse in coverage.

If you are affected by this change, and we do not hear from you regarding your new plan choice, *you will automatically be enrolled in Blue Cross II effective January 1, 2001.*

For more information, please contact the LACERA Insurance Services Section at 1-800-786-6464 or (626) 564-6132.

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## WHEN DOES YOUR LACERA HEALTH CARE COVERAGE END?

If you have not notified LACERA regarding dependents who no longer qualify for coverage, you may be paying extra money for coverage you cannot use. To ensure that you and/or the County do not pay premiums for dependents who are no longer covered, you must notify LACERA in writing within 30 days of a *Change in Family Status*. It is **your responsibility** to notify LACERA. If you forget to notify LACERA regarding ineligible dependents, you will only be refunded up to 12 months of your overpaid premiums.

Your LACERA health care coverage terminates when the following events occur:

- 1) Your children reach the maximum age under the plan (age 19 or up to age 23 if still full-time students). Coverage will terminate the first of the month following his/her birthday.
- 2) You and your spouse are legally separated or divorced. Coverage for the divorced spouse ceases the first of the month following the date of divorce.
- 3) Your spouse or children die. Coverage ceases the first of the month following the date of death.

If you voluntarily choose to disenroll from your plan, you must also notify LACERA. Coverage will cease the first of the month following the month a Change Form is received by LACERA, provided the form is received by the 15<sup>th</sup> of the month.

**Question:** My wife is a LACERA retired member. May I continue health care coverage with LACERA if my wife dies?

**Answer:** If a LACERA member dies while covered by a LACERA-sponsored plan, his/her eligible survivors (spouse and/or children) may continue health plan coverage. **You must notify LACERA of the member's death.**

**If you are eligible for continuing retirement benefits and you were covered as a dependent under the deceased member's health care plan, your health care benefits will be continuous.** LACERA will mail you a packet of information for both retirement benefits and health care benefits. The LACERA Insurance Services Section will coordinate health care coverage. If you are required to pay premiums for coverage, LACERA will notify you.

**If you are eligible for continuing retirement benefits, but you were not continuously covered as a dependent under the deceased member's health care plan, you must enroll if you wish to be covered.** A six-month waiting period will apply for health care coverage and a one-year waiting period will apply for dental care coverage.

**If you are not eligible for continuing retirement benefits, but have been continuously covered under the deceased member's health care plan, LACERA will mail you a packet containing information about continuing health care coverage through COBRA.\***

\* In certain circumstances, dependents who are no longer eligible for LACERA's health care plans may qualify for continuation coverage through the Consolidated Omnibus Budget Reconciliation Act (COBRA). For details, please contact LACERA's Insurance Services Section at 1-800-786-6464.

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Please note the following error in the printed October Spotlight 2000: It states that the new policy became effective on April 25, 2000. That date was when the Board approved the measure and not the effective date. The correct effective date is July 1, 2000.

## Final Month - Whole Month For Your Retirement Allowance

We've added another new feature to your death benefits. When a retired member dies, LACERA will now allow the beneficiary to keep the member's full allowance for the month during which the member died. This means, if the member dies at the first, middle, or end of the month, LACERA will pay the regular allowance on the 30<sup>th</sup>. This will avoid overpayments to the member's account, which must be adjusted before the spouse or beneficiary can begin receiving survivor benefits.

### Benefit Notes

In the past, the monthly retirement allowance was prorated for the month in which the retiree died. For example, if you died on January 15, your spouse, beneficiary, or estate would have been paid from January 1 through 15. The beneficiary would begin receiving survivor benefits effective January 16. Often, this would result in overpayments to member accounts because the January check was already mailed before LACERA was notified of the death. LACERA staff would then have to place a hold on the retiree's account pending verification of death, and then deduct the overpayment from the survivor benefits.

With the new policy and the same scenario, the full monthly allowance for January will be paid to your spouse, beneficiary, or estate. The beneficiary will begin receiving monthly continuing benefits effective February 1. This results in fewer overpayments to member accounts.

Beneficiaries receiving a monthly survivor continuing allowance will also be paid a full month's benefit in the month of their death.

This new policy became effective July 1, 2000. It is another step in our efforts to provide better service to you. If you have questions regarding this new policy, please contact LACERA at 1-800-786-6464 and speak to a Retirement Benefits Specialist.

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## A Parting Note...

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



**CODY FERGUSON** began his official retirement after twenty-two years of service on the LACERA boards. 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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## BOARD ELECTION RESULTS

### The ballots are in! It's official!

The Board Member Election for active members was held on August 22, 2000.

**Simon S. Russin** has been re-elected once again by the active members to serve on the **Board of Retirement** for another three-year term. His new term will begin on January 3, 2001. Congratulations and welcome back Mr. Russin!

**William Pryor** was elected by the safety members to serve as the alternate member on the **Board of Retirement**. William Pryor replaces Cody Ferguson who officially retired from the board in August 2000. Mr. Pryor will complete the remainder of Mr. Ferguson's term, which will end on December 31, 2001. We welcome Mr. Pryor, who attended his first board meeting on September 6, 2000.

**Brian C. Brooks** was elected by the active members to serve a three-year term on the **Board of Investments**. Mr. Brooks will replace Richard Shumsky who chose not to run for another term. We welcome Mr. Brooks who will begin his official term on January 10, 2001.



Watch for feature articles on the new board members in the December 2000 Spotlight newsletter.

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## **NEW BARCODES ON RETIREE CHECKS**

Your retiree checks have a new security feature – a specially designed barcode. By using this barcode, we no longer need to display your social security number on your check or automatic deposit receipt. In the event we need to identify your returned check, the barcode can be scanned to read your social security number.

### **BARCODES**



This is another safety measure to help prevent mail fraud. Mail fraud has become an increasingly alarming white-collar crime. Mailboxes can provide easy loot for relentless crooks looking for checks, credit cards, bank account numbers, and other financial information used to steal people's identities.

With this special protection for your social security number, we hope you will feel a little safer now against mail fraud.

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