

LACERA

Spotlight on Retirement

June 2002
Vol. 13 No. 2

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION • NEWS FOR RETIRED MEMBERS

Increased Benefits Approved!

It's taken some time to get here, but the County's Benefit Enhancements Proposal has finally been approved by the Board of Supervisors and LACERA. On May 13, 2002, at a joint meeting of the Board of Investments and the Board of Retirement, the vote was unanimous to approve funding for the Benefit Enhancements Proposal. The Board of Supervisors also took action to enact the benefits and LACERA is beginning the process of implementing them.

Approved Benefits, Effective June 4, 2002

Post Retirement Lump-sum Death Benefit

The Agreement expands this benefit to include Plan E, and increases the amount to \$5,000 for all retiree deaths. This benefit is available only to the beneficiaries of retirees who die on or after June 4, 2002, the operative date of the Agreement.

Survivor Continuance

The Agreement increases the survivor benefits from 60% to 65% for Plans A, B, C, and D and from 50% to 55% for Plan E. Existing retirees and survivors will not be granted this enhancement. This increase only applies to eligible surviving spouses of:

- o Plan A, B, C, and D members who **die in active service or retire on or after** the date the Agreement becomes operative, and
- o Plan E members who **retire on or after** the date the Agreement becomes operative. (Note: Active Plan E members who **die before retirement** are not eligible for LACERA death benefits.)

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Extra Extra-Attention All New Retirees!

On April 25, 2002, the governor signed AB131, a law that allows members to roll money from the 457 Horizons account to purchase service credit. If you retired in the period of January 1, 2002 through August 23, 2002*, you are eligible to take advantage of this opportunity.

What Is Your Retirement Worth?

One of the best parts of being a County employee is the lifelong retirement benefit. It's hard to appreciate the value of a lifelong benefit as a young person. But for those members who have been receiving a benefit for 30, 40, even 50-plus years, the value is evident.

During the past 15 to 20 years, many employers have stopped offering traditional retirement plans like the ones provided by Los Angeles County. As a result, many folks who are of retirement age do not have a secure future to look forward to, and end up working more years-for less money. These low-income retirees do not have access to optional medical plans, and they face an uncertain future. Not so for LACERA members, whose futures are much brighter.

As new college graduates prepare to enter the workplace, one of the most popular questions they ask prospective employers is, "Do you have a retirement plan?" This is a key area of concern for graduates whose parents may have to work the rest of their lives.

Why Are the Medical Plans Changing?

As many of you think about healthcare plans, we know you give particular consideration to cost and flexibility. Retirees have many different reasons for selecting a plan, but the most important thing to consider when making your selection is whether the plan will accommodate your lifestyle needs. Medical plan costs evolve to address these needs, such as higher co-pays for medical appointments and prescriptions, that keep plan premiums from soaring out of sight. Despite these increased costs, however, premium rate increases are inevitable.

LACERA's goal is to continue to make medical plans available for retirees. This may require more cost sharing on the part of the retirees and the County, the plan sponsor. But as the costs go up, remember how fortunate we are to have affordable health care at our disposal.

*Please note - the printed newsletter article had the wrong date and the date on this page is now correct. (7-10-02)

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Attention All Blue Cross Plans I, II, and II Members

We are extremely pleased to announce that at the Board of Retirement's December meeting, they approved a new feature to LACERA's Health Care Benefits Program. **CarePatterns**, a comprehensive disease management program available through Caremark, Inc. (the company that currently administers your prescription drugs), is being offered to you on a strictly voluntary basis. There is no fee for this program, and the benefits you can receive by enrolling are significant.

What Is CarePatterns?

CarePatterns is a total healthcare management program designed to help members take control of their health. It provides personalized health education and counseling services to those who have been diagnosed with the following chronic health conditions:

- o Asthma
- o Chronic Obstructive Pulmonary Disease (COPD)
- o Congestive Artery Disease (CAD)
- o Diabetes

Living with a chronic illness doesn't have to slow you down or be an inconvenience. The CarePatterns program will give affected members the support and education they need, increase their understanding of their condition, and enable them to live a healthier and more active life.

The goal of the CarePatterns program is to help members enjoy life by learning to manage and prevent the complications brought on by the chronic conditions listed above. The program also helps prevent hospitalization and/or emergency room visits that may occur as a result of these chronic conditions.

How Do I Enroll in the CarePatterns Program?

Caremark's program identifies candidates for participation using pharmacy claims data. If you have had your prescriptions filled through Caremark/Blue Cross for any of the chronic diseases listed above, you will be receiving (or may have already received) a special mailing from Caremark inviting you to enroll into the CarePatterns program.

If you have one of the chronic diseases listed above and you have not yet used Caremark to fill your relevant prescription, and you are interested in information regarding the CarePatterns program, please call 800-227-3728 to request an informational packet. Again, there is no cost, obligation, or commitment to enroll into the CarePatterns program.

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LACERA 2002 Board Election Schedule

Board Seats Up for Elections

The Board of Retirement

One General Member seat for a three-year term starting January 1, 2003
 One Retired Member seat for a three-year term starting January 1, 2003

The Board of Investments

One General Member seat for a three-year term starting January 1, 2003
 One Retired Member seat for a three-year term starting January 1, 2003

Election Schedule

Intent to run filing period:	April 19 through May 20
Candidate statements and changes due:	May 20
Candidate statement review period:	May 21 through May 29
Lottery for name placement on ballot:	May 28
Mail ballots:	June 25
Duplicate ballots available:	July 2 through July 11
Count ballots:	July 23
Registrar recorder certifies election:	July 26
Board of Supervisors declares winner:	August 13
Winning candidate assumes office:	January 1, 2003

Questions regarding the election, ballots, and candidates should be referred to the Los Angeles County Registrar Recorder at 562-466-1310.

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We Have Conformity!

Until recently, State tax law governing retirement benefit programs was not in conformance with recent changes to Federal tax regulations, resulting in possible tax penalties. Now we are pleased to report that the Governor signed a new law on April 25, 2002, bringing the State law into conformance with the Federal tax regulations.

Raising Contribution Limits

The passage of Assembly Bill 131 means that active members may now roll over retirement savings from their 457 Horizons Plan (previously allowed only from their 401(k) Savings Plan). This new law also expands active members' contribution limits to 457 and 401(k) Plans. For more information about the maximum allowable limits or eligibility to roll funds out of these accounts, please contact Great West at (800) 947-0845, the plan administrator for LA County Savings and Horizons Plans.

Expanded Rollover Opportunities

This new law also expands members' choices regarding rolling funds between tax-qualified retirement vehicles.

Active members may now roll over 401(a), 401(k), 457, 403(b), IRA, or other savings vehicles into LACERA to start a service credit contract or pay off an existing plan transfer contract upon termination or retirement. (Members have 120 days after their retirement date to pay off a service credit or plan transfer contract. Please see the additional information below for those members who may have up to 180 days to complete the rollover.)

State Allows for Some Retirees to Make Retroactive Rollovers

As previously stated, the State of California now allows the rollover of funds (a trustee-to-trustee transfer) between LACERA and the Horizons plan. Since the Federal tax regulations became effective on January 1, 2002, the State of California made a special exception for those retirees who retired after January 1, 2002, giving them the ability to make Horizons and Savings Plan, 403(b), and IRA rollovers to LACERA. Specifically, if you retired or will retire between January 1, 2002 and August 23, 2002, you will have either 120 days after retirement or until October 22, 2002, whichever date is greater, to make the rollover. For example, if you retired March 31, 2002 and would like to use your Horizons Plan to transfer from Plan E to Plan D, you would have until October 22, 2002 to complete the rollover of funds. On the other hand, if you retired on August 1, 2002 you would have until November 28, 2002, 120 days from your retirement date, to complete the rollover. Members who retire after August 23, 2002 will be subject to the standard 120-day payment completion rule.

State Allows for Some Retirees to Begin Service Credit Contracts after Retirement

Also note that if you retired between January 1, 2002 and August 23, 2002 you may begin a service credit contract after your retirement date, provided that the contract is paid with rollover funds and completed within the time limits outlined above. For example, a Plan E member could elect to transfer to Plan D using his or her Horizons funds.

We have more information about the State's recent conformance with Federal Law within our web site or you can check out <http://www.leginfo.ca.gov/>.

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Enron's Ripple Effect

The collapse and subsequent bankruptcy of Enron last year has had a ripple effect throughout the corporate community, especially in the case of new retirement plan legislation. Although LACERA was minimally impacted by the Enron losses, we are watching the new legislative activity with interest.

Senators have recently introduced new legislation that would tighten protections for defined contribution plan participants. Included are a bill that seeks to implement President Bush's retirement security proposal, as well as a wide-ranging bill that would affect both defined contribution and defined benefit plans by imposing percentage caps on company stock, mandating new disclosure rules, and expanding the reach of ERISA's fiduciary liability provisions. More legislation is expected to be introduced.

LACERA will continue to watch these new legislative developments and keep you informed of any changes that could affect your benefits in any way.

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News about Kaiser Permanente

If you belong to Kaiser Permanente, you've probably heard about some of the changes that have been instituted recently. For instance, in an effort to improve patient care, last July Kaiser became the only health care system to voluntarily adopt a 1:4 ratio of nurses to patients in all of their hospital and surgical units. The implementation of this new policy goes beyond Governor Davis' nurse-staffing ratio of 1:6, and is an example of one of the ways Kaiser strives to bring you the best in patient care.

In addition to the nursing-ratio policy change, Kaiser is in the process of building a new hospital in its Los Angeles Sunset location. During the construction of the hospital, the following departments have been moved to 3699 Wilshire Blvd.

- o Long-Term Care
- o Hospice/Home Health
- o Geriatrics
- o Insurance
- o Medical Correspondence
- o Patient Registration

Other moves include the MRI unit, which has moved to the basement of 1526 Edgemont St., and Gynecologic Oncology, which moved to 4900 Sunset Blvd, 3rd Floor.

Members of LACERA who belong to Kaiser Permanente should review their monthly Kaiser newsletter for updates on these and other Kaiser-related issues.

Legislative Updates

The Following Legislation for 2002 is pending, unless otherwise indicated.

AB 1190 Public Retirement Systems: Reciprocity (Papan)

This second-year bill eliminates from the reciprocity provisions the requirement to transfer between agencies within six months.

Amended 1/24/02

LACERA position: Watch

AB 1847 Biochemical Substance Presumption (Correa, et. al)

This bill would provide that, for the purposes of qualification for disability retirement benefits, the development or manifestation of an illness by specified peace officer and firefighter members as a result of exposure to a biochemical substance is presumed to arise out of, and in the course of, employment.

Amended 4/17/02

LACERA position: Watch

AB 2004 Retirement Benefits Enhancement (Correa)

This bill would allow the Board of Supervisors to authorize active members to purchase up to five years of additional retirement credit by paying twice the amount of contributions normally required of the member plus interest. With this bill, members who want to retire can purchase retirement credit that they have not actually earned, thereby increasing their years of service.

Amended 4/1/02

LACERA position: Support if amended to be cost neutral

AB 2023 Safety Membership for Criminal Justice Members (Frommer)

This bill would authorize the Board of Supervisors to provide safety member status for "criminal justice members" as defined, including the district attorney series of classes, former district attorneys who were transferred to the local child support agency without a break in service, the public defender series of classes, and public defender investigators. Allows the Board of Supervisors to specify any benefit formula applicable to safety members other than the 3% at 50 formula.

Amended 5/23/02

LACERA position: Oppose

AB 2123 Additional Board of Investment Members (Koretz)

This bill would add two additional members to LACERA's Board of Investments. The members would be selected by a majority of the certified bargaining units of the County, and would serve four-year terms. In addition, this bill requires the Board of Investments to transfer 75% of excess earnings above 1% of system assets to an "additional earnings reserve for negotiated benefits" in any year in which LACERA's assets exceed \$20 billion and the funding ratio is at least 90%. The reserve would be used to fund increases or new retirement benefits. Actuarial studies indicate that creating this reserve would significantly increase employee and employer contribution rates.

Introduced 2/9/02

LACERA position: Actively Oppose

AB 2777 Domestic Partner Benefits

Authorizes the Board of Supervisors of Los Angeles County, Santa Barbara County, and Marin County to provide death benefits and survivor allowances to domestic partners. Limits application to domestic partnerships of the same sex, unless at least one member is over age 62. The member and the member's domestic partner must have an "Affidavit of Domestic Partnership" on file with the County at least one year prior to the member's retirement or death prior to retirement.

Introduced 2/19/02

LACERA position: Support

SB 695 Safety Membership for "Hazardous Materials Services" Workers (Karnette)

Allows the Board of Supervisors to authorize safety membership for employees who are in a job classification in which there is a probability of regular exposure to, and risk from, hazardous materials, and whose functions "clearly fall within the scope of hazardous materials services." This bill: 1) Excludes managers, analysts, clerks, and other designated employees; and 2) Defines "hazardous materials services" to mean "services performed in the enforcement of criminal law relating to hazardous materials or waste, or services performed to protect public safety and the environment in response to an emergency involving hazardous materials or waste." Amended 4/15/02

LACERA position: Support

SB 1024 DROP Plan for Law Enforcement Members Only (Soto)

This bill, introduced by the Committee on Public Employment and Retirement, would require Board of Supervisors' approval. It includes actuarial equivalent DROP, forward DROP, and backward DROP provisions.

"DROP" is the acronym for the Deferred Retirement Option Program. The DROP was created to provide eligible members who elect to participate in the program access to a lump sum, or, in some cases, additional monthly payments for a specified period in addition to their monthly retirement allowance.

Amended 3/13/02

LACERA position: Watch

SB 1609 Health Care Workers: Blood-borne Infectious Disease (Soto)

Extends the blood-borne infectious disease presumption to licensed health care professionals, as defined, who, in the course of employment have a documented incident involving a sharp object with exposure to human blood or other bodily fluids contaminated with blood.

Amended 5/23/02

LACERA position: Support

AB 1254 Safety Membership for Local Prosecutors (Florez)

AB 1385 Safety Membership for Police Officers and Park Rangers (Romero)

These bills would provide safety membership for local prosecutors, police officers, and park rangers. Because neither of these bills passed the Assembly by December 31, 2001, they died in the Assembly, pursuant to Article IV, Section 10(c) of the Constitution.

Maximize Your Retirement Benefits

Education about your retirement benefits is imperative for reaching your retirement goals and securing your financial future. As the costs for living a comfortable and secure retirement continue to rise, you'll want to learn as much as possible about your LACERA benefits. We provide retirement information and counseling to all members—new, active, deferred, and retired; and we want to help you get the most from your LACERA plan. One of LACERA's primary goals is to make our information more accessible. There are several ways for you to access your LACERA benefit information. Take a look below.

Expanded Call Center Hours

The Call Center is now open from 7:30 a.m. to 5:30 p.m., Monday through Friday. Just dial 800-786-6464 and a Retirement Benefits Specialist will help you with your questions.

Expanded Public Counter Hours

The public counter is now open from 7:00 a.m. to 5:00 p.m., Monday through Friday. No appointment is necessary to visit the public counter. You'll be helped on a first-come, first-served basis.

Outreach Workshops

LACERA offers a variety of outreach workshops to suit your individual needs. Each workshop is designed to help members plan their financial future. The following workshops are available:

New Member Workshops

These workshops provide new hires with an overview of the retirement plans. We discuss how to make a retirement plan choice that will fit the needs of each employee.

Pre-Retirement Planning Workshops

We suggest that members sign up to attend a pre-retirement workshop three to five years before their intended retirement date. Planning well in advance allows members time to get their personal affairs in order for a smooth transition into retirement. Regular and thorough reviews of your financial status and strategic planning will help you enjoy your retirement years. Financial planning workshops are available immediately following the pre-retirement workshops.

Financial Counseling Workshops

These workshops are provided by Great-West representatives. They help you review the various payment options available to participants in the Deferred Compensation 457 Plan and 401(k) Savings Plan. These plans are offered by the County as ways to supplement your retirement benefits.

Personal Financial Planning Workshops

These workshops are provided by representatives from the AXA Financial Group. Counselors provide advice in areas such as paying down bills before retirement, getting the most from your retirement income, and making investments after retirement.

Online Info at www.lacera.com

Through our web site you can access retirement information on the Internet quickly and easily. The site offers information and issues for both active and retired members. Topics include retirement benefits, frequently asked questions, health care, LACERA investments, workshop schedules, and LACERA's business structure.

Visit our dynamic **Order Now** section which allows you to order, read, download, and print many of LACERA's printed materials for free. Whether you need a plan booklet, health care information, applications, or forms, look for it online in an easy-to-download PDF (portable document format).

The **Retirement Calculator** and **Transfer Calculator** are two more incredible interactive features on our web site. They're great tools for active members to figure out the most optimal time to retire or transfer plans. The Retirement Calculator and the Transfer Calculator do not replace official LACERA retirement or transfer estimates, and the retirement calculator cannot be used to figure the allowance for someone who has already retired.

The **Text-Only Site** allows text to be read by anyone, including those who utilize special software for the visually impaired.

Another upcoming feature planned for the web site is the **Member Info Center**. This feature will allow you to access your personal member information online with a confidential password. Once you register for the service, you can sign on to the LACERA web site anytime, 24 hours a day, to view the specific member information we have on file for you. We will install the most up-to-date security and firewall technology to ensure that your private information stays private.

How Legal Separation & Divorce Affect Your Retirement Benefits

It is important to be aware of how a divorce or legal separation affects your retirement benefits. Upon your death, the eligibility rules for a continuing survivor's allowance differ from the eligibility rules for health care dependent coverage. Although a legally separated spouse is eligible for a continuing survivor's allowance, that spouse does not qualify as a dependent entitled to health care coverage. Here's why:

Legal Separation

Following are the benefits available to spouses upon a legal separation:

Retirement Benefits

When you receive a judgement of legal separation, your marital status does not change. Upon your retirement, through a Wage and Earning Assignment Order, the court may order your legally separated spouse to receive a portion of your retirement benefits. Except in limited circumstances, upon your death, your spouse is still eligible for a continuing survivor's allowance, but not for health coverage.

Health Benefits

Under the LACERA-sponsored medical plan, a legally separated spouse is not eligible for coverage as a dependent. However, if your spouse was a covered dependent prior to the legal separation, your spouse would be eligible for COBRA coverage for a maximum of 36 months.

Divorce

Following are the benefits available to ex-spouses upon divorce:

Retirement Benefits

When you receive a final judgement of the dissolution of marriage, your marital status changes. Upon your retirement, your ex-spouse may be entitled to a portion of your retirement benefits. And upon your death, your ex-spouse may be eligible to receive a portion of your surviving spouse's allowance. Also keep in mind that your surviving spouse is only entitled to your retirement allowance if you were married to the surviving spouse at least one year prior to your retirement.

Health Benefits

Under the LACERA-sponsored medical plan, your ex-spouse is not entitled to coverage as a dependent. However, if you divorce after retirement and your ex-spouse was a covered dependent prior to the divorce, he or she would be eligible for COBRA coverage for a maximum of 36 months.

For more information on COBRA benefits, please refer to the Guide to Administrative Rules for LACERA Health Care Benefits, or call LACERA at 800-786-6464.