ROBERT SPARE



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 was nominated for this position by Supervisor Antonovich and appointed by the Board of Supervisors.

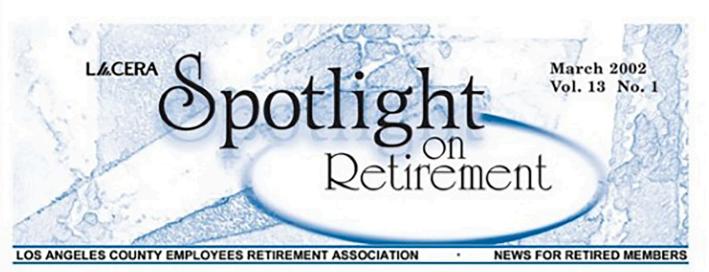
Mr. Spare brings more than 40 years of investment experience to the Board of Investments. His educational background includes graduating from Stanford University and the Naval War College. He served his country in the U.S. Navy and retired with the rank of Captain from the Naval Reserve Intelligence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

Before his retirement in 2000 from his second career, Mr. Spare was Senior Vice President of Capital Guardian Trust Co., one of the largest investment management firms in the world, specializing in providing portfolio management services to large retirement plans. Prior to his position there, Mr. Spare was deputy manager of the First Boston Corporation, a major investment banking firm, providing economic and securities research to institutional clients. Additionally, as a Trustee of the Pasadena Community College Board, he shared responsibility for approving and overseeing a \$30 million budget.

Mr. Spare held the position of 2nd Vice Chair on the Los Angeles County Quality and Productivity Commission, and is looking forward to serving in his new position on the LACERA Board of Investments.

Mr. Spare was born in Alhambra, California and has spent most of his lifetime in the Pasadena area where he and his wife, Judy, raised their two sons.

Again, we wish to extend a very warm welcome to the newest member of the Board of Investments, and we are anticipating an exciting and productive term of service.



Benefit Notes

Each year a new group of county employees joins the ranks of the retired, faced with new opportunities and new horizons. Each year, there is also some confusion about how this transition takes place. Below are some of the basics every new retiree should know, to make a smooth transition from active service. Retirement is an exciting period of life, but as with all changes, we need to do some planning to make it a smooth step toward the future.

Payments

The first thing most of us worry about is when we get paid. Payments accrue on the last day of the month following the posting of a termination date, so all retirees get paid on the last day of the month. For example, your retirement allowance for the month of April is paid to you on April 30.

COLA

The Cost-of Living-Adjustment for contributory plans (COLA) is effective April 1, but is received by you in your April 30 check. Members in Plan E do not receive a COLA benefit.

Direct Deposit

Even if you elect to receive your retirement allowance as a direct deposit, the first payment typically comes to your home in the form of a retirement check, and the following month direct deposit will take effect. Once you begin receiving direct deposit, you will continue to receive notifications by mail confirming each direct deposit payment.

For retirees who change banks there is a similar process. After you request and submit a new direct deposit form, you will receive a pre-notification letter confirming the requested change. Your original bank account should remain in effect until the new account receives the first direct deposit. Once this happens, it is safe to close the old account.

Moving

Moving requires some pre-planning for a smooth transition. LACERA should receive your change of address form no later than the tenth of the month. This will guarantee that your retirement check or direct deposit notification is sent to the right place. Filling out this form in a timely manner is especially important because LACERA does not allow checks or direct deposit notifications to be forwarded by the post office. If your check is returned to LACERA by the post office, a hold is placed on your account until we can contact you and verify your correct address.

Changing Insurance

If you become Medicare eligible and move to one of the Medicare-related plans, you must complete and submit a form, as well as a copy of your Medicare card showing coverage of Parts A and B. However, if you are moving to Kaiser Senior Advantage or PacifiCare/Secure Horizons, you are required to complete a second form for the HMO Medicare plans, in addition to the other items listed above. The insurance change will take place the following month. If you move out of the service area of a given plan, it will be necessary to enroll in a different plan. Please call LACERA for information if this is your situation.

Taxes

Tax changes can be made as often as a retiree wishes. All changes must be submitted by the tenth of the month to ensure that the update takes place in that month.



LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

NEWS FOR RETIRED MEMBERS

Compare Defined Benefit & Defined Contribution Plans

LACERA's Defined Defined Contribution Plans --Benefit Plan 401(k) and 457 Plans Employer promises to contribute Employer promises to pay specified amount to member account specified benefit at retirement periodically Employer invests the funds and Employer decides how to invest the bears the risk of adverse investment funds and bears the risk of adverse investment performance performance Benefit amount is determined by Benefit amount is determined by investment performance and amount average pay, years of service, and of contributions age 4. Better inflation protection through No COLA program COLA (Cost-of-Living Adjustment) program Hardship withdrawals permitted, Funds not available during active sometimes loans permitted during service active service Reciprocal pension benefits Possible transfer of member funds possible with specified public to tax-qualified plans as allowable by

Maximize Your Benefits in the Blue Cross Plan

Understanding the administrative rules for your Blue Cross Plan can help you maximize your benefits and reduce your out-of-pocket costs. Following are some of the important rules to remember for maximizing your Blue Cross plan benefits.

law*

Blue Cross I and II (Non-Medicare eligible members and dependents)

Hospital Admission:

employers

If your physician recommends a non-emergency or elective hospital admission for you or your dependents, the physician or you must inform Blue Cross of California three days in advance. If the admission is not submitted to Blue Cross for review prior to a non-emergency admission or on the first business day following an emergency admission, the first \$200 of covered expenses for hospital charges will be excluded from regular plan benefits.

Note: For members with Medicare Part A (hospital insurance) coverage, please ask the doctor to notify Medicare for authorization of any hospital admission.

Blue Cross I, II, and III

Routine Examination and Medical Test:

Blue Cross of California generally does not cover routine examinations unless there is a medical necessity. If your doctor orders a medical examination or any medical tests, please ask the doctor to provide Blue Cross with a statement of medical necessity for review. Children dependents under age 17 are not subject to this provision.

Blue Cross I, II, III and Prudent Buyer Plan

Plan Lifetime Maximum:

If you switch between any of the Blue Cross plans, the plan lifetime maximum (\$1 million) will carry forward from one plan to another. For example, if you change from the Blue Cross Prudent Buyer Plan to Plan I, II, or III, your accumulated expenses from the Prudent Buyer Plan will count toward your lifetime maximum for the new plan you've chosen.

^{*}See articles on Service Credit and Federal and State Rollovers.



NEWS FOR RETIRED MEMBERS

Your April 2002 Retiree Cost-of-Living Benefit If you are a retired or surviving member in Plan A, B, C, or D, you will receive a cost-of-living

increase in your April 30 check. (Plan E does not provide cost-of-living benefits.)

You can find your retirement date and the percentage increase for your plan in the chart below. The percentage increase is applied to your monthly allowance including your STAR COLA benefit. Those retirees who received the 1988 COLA supplement will continue to receive the separate benefit, however the cost-of-living benefit is not applied to it. The good news is that the cost-of-living increase is cumulative and will compound with future increases.

Retirement Dates	Plan	Your April 1 Increase	Maximum Cost-of- Living	Rounded CPI	COLA Used	Accumulation Balance
Prior to 4/1/88	A	3.0%	3.0%	2.0%	1.0%	varies
4/1/88 - 3/31/01	Α	2.7%	3.0%	2.0%	0.7%	0.0%
4/1/01 - 3/31/02	A	2.0%	3.0%	2.0%	0.0%	0.0%
			Actual CPI			
All Dates	B, C, D	2.0%	2.0%	2.1%	0.0%	0.1% increase

The Maximum Cost-of-Living Benefit

For members and beneficiaries receiving an allowance, the maximum cost-of-living increases allowed under the Government Code, as adopted by the Board of Supervisors, are shown in the chart above.

For Members in Plan A

The CPI percentage change, rounded to the nearest one-half of one percent, was 2.0%-less than the maximum cost-of-living increase allowable (3.0%). By law, the Board of Retirement rounds the CPI percentage change to the nearest one-half of one percent (from 2.1% to 2.0%) provided the CPI percentage change is less than the maximum cost-of-living benefit allowable. Therefore, deductions were taken from the available COLA Accumulation to grant the maximum increase, or less.

For Members in Plans B, C, and D

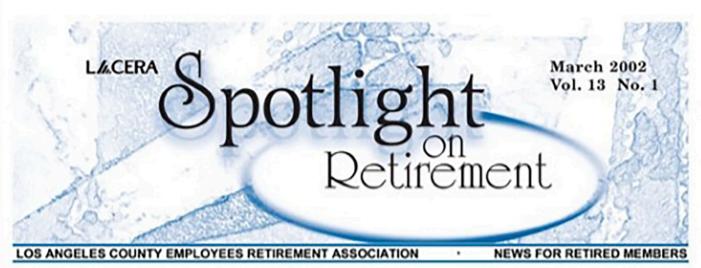
The actual CPI change (2.1%) was more than the maximum cost-of-living increase allowable (2.0%). Therefore, the 0.1% difference between the CPI and the maximum increase allowable was added to the COLA Percentage Accumulation.

How Is the Annual Cost-of-Living Amount Determined?

Each year, the Board of Retirement reviews the Bureau of Labor Statistics Consumer Price Index (CPI) for All Urban Consumers in the Los Angeles-Anaheim-Riverside Area. This year, the CPI change was 2.1% from December 2000 to December 2001.

The Board of Retirement rounds the CPI percentage change to the nearest one-half of one percent (from 2.1% to 2.0%). This year, LACERA will award the 2.0% cost-of-living increase, or will use the COLA Accumulation to award up to the maximum allowable percentages in the Government Code provisions adopted by the Board of Supervisors.

YOUR HEALTHCARE FUTURE



Your Healthcare Future

County retirees enjoy LACERA's comprehensive health benefits program, which offers a variety of plans to choose from including Blue Cross, CIGNA, Kaiser, and PacifiCare/Secure Horizons. All these plans offer comprehensive medical and dental/vision coverage. You'd be hard-pressed to find many comparable plans out there.

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, AFSCME/LA, RELAC, POPA, Local 660 Seniors, and the Sheriff's Relief Association.

The plan design, subsidized by the County and administered by LACERA, is simple: If you had 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). If you worked more than 10 years for the County, you received a 4% yearly increase in reimbursement for each additional year of County service. For those of you with 25 years of service, the County pays 100% of the benchmark plan rate. However, if your plan premium exceeds the benchmark plan rate, you are required to pay the difference every month-even with 25 years of service.

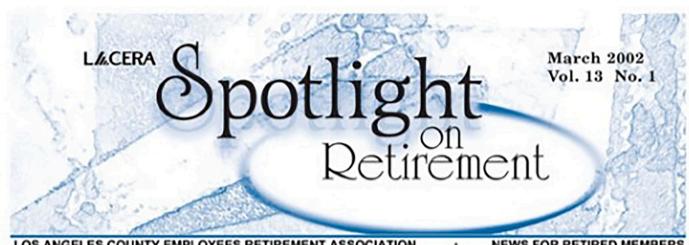
More sophisticated medical procedures, prescriptions, and equipment are getting increasingly expensive. The rising costs are being felt nationwide, and LACERA is also facing more challenges. But our partnerships with our healthcare vendors and the County remain strong, and we are not complacent. We are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

HEALTH FAIR



Health Fair 2002- LACERALAND!

It's never too early to start thinking about the LACERA Health Fair! Every year at the fair, retirees come from all over the Southland to participate in health workshops, get free massages and a delicious lunch, and see old friends. It's always a great day for everyone who participates, and we're anticipating even more fun at this year's fair. As soon as a date has been selected for the fair, we'll post it on the Web and send out a flyer. Till then, eat right, get plenty of exercise, and look both ways before you cross the street.



LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

NEWS FOR RETIRED MEMBERS

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

AB 1254 Safety Membership for Local Prosecutors (Florez)

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

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

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 members as a result of exposure to a biochemical substance is presumed to arise out of, and in the course of, employment. Introduced 1/28/02

AB 2004 Retirement Benefits Enhancement (Correa)

This bill would allow the Board of Supervisors to authorize 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. Introduced 2/15/02

AB 2023 Criminal Justice Members (Frommer)

Would 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. Establishes a benefit formula of 3% at age 55 for those members. Introduced 2/15/02

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. The Board of Investments at LACERA actively opposes this bill. Introduced 2/9/02

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

This bill would amend the current law, at the option of the County, to clearly define who is affected by SB 695. It allows the Board of Supervisors to authorize safety membership for employees whose functions "clearly fall within the scope of hazardous materials services." This bill:

- 1. Excludes managers, analysts, clerks, and other designated employees.
- 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 2/4/02

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

This bill, introduced at the option of the County, 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 2/5/02



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 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 PARTA

(Hospital Insurance Coverage)

Age 65 or Older

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

- Eligible to receive a monthly Social Security benefit; or
- 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:

- Received Social Security disability benefits for 24 months as a worker, surviving spouse, or adult child of a retired, disabled, or deceased worker; or
- 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 and enroll in a LACERA-sponsored Medicare Plan, the County currently reimburses the Part B premium, which is subject to approval by the Board of Supervisors.

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).