



LAFPP

pension perspectives

November 2010

Newsletter for Retired Members of Los Angeles Fire & Police Pensions

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General Manager's Message

I am often asked about the health of our pension system. In a nutshell, we are in great financial health. This is the case if you compare us against other public safety pension plans, against the plans of major U.S. cities, or just about any other public pension plan.

Funded status relates to the assets on hand to pay pensions. If a plan is 80% funded, it is considered to be a well funded plan. As of our last actuary report, we were 96% funded. Most pension systems do not prefund their health benefits. We have been prefunding retiree health benefits since 1989 and are over 40% funded. This may not sound like a lot until you consider that most public plans do not have any assets to pay for retiree health benefits.

For the year ended June 30, 2010, our rate of return was 13.9%. This was an outstanding return that outranked the majority of public pension plans. We outperformed CalPERS, the largest public pension plan in the country, for the last 1, 3, 5, 7, 10, 20 and 25 year time periods.

Over the last year, the position of Board President was occupied by George Aliano, the elected retired Police representative on the

Board. President Aliano presided over many initiatives at the System, including a systematic review of our portfolio and money manager contracts, hiring a new general consultant to advise the Board, and beginning the process to review our asset allocation plan. The asset allocation plan is the principal driver of investment return. President Aliano set a tone of collaboration and transparency and performed admirably as Board President.

Our new Board President is Dean Hansell. Appointed to the Board in 2009, he brings experience from a variety of City Commissions, including the L.A. Police Commission and the foundation responsible for investments at Dennison University. We welcome President Hansell in this role and look forward to working with him to grow and protect your system assets. You can read more about the Board of Fire and Police Pension Commissioners on Page 7 of this newsletter.

Michael Perez
General Manager
Michael.Perez@lafpp.com

Cost of Living Adjustments for 2010

The Cost of Living Adjustment (COLA) for 2010 is 1.4%. Eligible pensioners and survivors of Tiers 1, 2, 3, 4 and 5, (including current DROP participants) received a 1.4% adjustment. However, eligible Tier 5 pensioners with a pension effective date of June 1, 2005 or earlier received a 1.9% adjustment due to a 0.5% accumulation in their COLA Bank.

All increases became effective July 1, 2010 and were reflected in the pension payment dated July 31, 2010. COLAs for eligible retirees are based on the movement in the Consumer Price Index (CPI). Per the Charter and the Administrative Code, we use the increase

or decrease in the CPI for the Los Angeles-Riverside-Orange County area for all consumers. We look at the change in the CPI for the 12-month period ending each February. Visit our Web site at www.lafpp.com for more information on COLA. From the "Retired Members" tab, click on the COLA link to learn how we track the CPI. You will find "How to Access CPI Data," for step-by-step instructions to retrieve current and historical COLA information.

For any questions regarding the COLA, please contact the Retirement Services Section at (213) 978-4495 or (800) 787-2489 ext. 84495.



NEW BENEFIT PAYMENT SYSTEM

In June of this year, we sent a letter notifying you about our upcoming transition to a new benefit payment system. A benefit payment system simply generates your monthly pension check. Currently we use an outdated mainframe system that will soon be phased out by the City's Office of the Controller and Information Technology Agency. In anticipation of this, we have secured a contract with our current custodian bank, Northern Trust, to administer benefit payment services. Northern Trust has extensive experience providing benefit payment services to more than 1.3 million beneficiaries each month.

Northern Trust's benefit payment system features enhanced technology that will ultimately help us to better serve your retirement needs. The new system will give us control over functions that are currently being handled by the Controller's Office. As a result, we will be able to process your needs much faster. This means requests such as stop payments, replacement checks and deduction changes will take effect with minimal delay.

Seamless Transition

We are making every effort to make a seamless transition to the new benefit payment system.

2010 Pension Payment Schedule

Check #	Pension Roll Month	Mail/Direct Deposit Date	Tax Reporting Year
1	Dec 2009	1/4/2010	2010
2	Jan 2010	1/29/2010	2010
3	Feb 2010	2/26/2010	2010
4	Mar 2010	3/31/2010	2010
5	Apr 2010	4/30/2010	2010
6	May 2010	5/28/2010	2010
7	Jun 2010	6/30/2010	2010
8	Jul 2010	7/30/2010	2010
9	Aug 2010	8/31/2010	2010
10	Sep 2010	9/30/2010	2010
11	Oct 2010	10/29/2010	2010
12	Nov 2010	11/30/2010	2010
13	Dec 2010	12/31/2010	2010

However, there are two details that you should be aware of for **tax year 2010 only**. The first is you will receive a total of 13 checks instead of the usual 12. The reason is Northern Trust will process your December 2010 pension payment on the last business day of the year. This is different from the current system, in which your December payments were processed in the following tax year in January – payments have not been disbursed during the month of December. You may recall that your December 2009 pension check was paid on January 4, 2010 (see **the 2010 Pension Payment Schedule** below this article). So your pension check dated December 31, 2010 will count as a thirteenth check and will be included in your 2010 taxable income. Going forward, you will only receive 12 checks in all subsequent years.

Secondly, if your pension is fully or partially taxable, you should also be aware that you will receive two (2) Form 1099-Rs for pension payments received for tax year 2010 – one from LAFPP and another from Northern Trust. Each form will report the payments made and filed with the Internal Revenue Service accordingly. In future years, you will only receive one tax form issued by Northern Trust.

While we are unable to give tax advice, we realize that the thirteenth check may have an impact on your 2010 tax liability. Therefore, we encouraged you to seek counsel from your tax or financial advisor. Should you still need to make any changes to your tax withholdings, the forms and instructions are available on our Web site at www.lafpp.com under the "Forms" tab, or you may request the information by calling the Retirement Services Section.

Implementation

We indicated previously in our June correspondence to you that our new benefit payment system would be in place by the disbursement of your August 2010 pension check. However, to ensure delivery of timely and accurate benefit payments, we extended our implementation date. We now expect to start using Northern Trust's benefit payment services beginning with the October 2010 pension payment. A special message was included on your September monthly pension check stub or direct deposit advice to remind you of the new transition date. For more information, you may call the Retirement Services Section at (213) 978-4495 or (800) 787-2489 ext. 84495.

HEALTH SUBSIDY TAX TREATMENT

For Domestic Partners, Same-Sex Spouses and Non-Tax Dependent Children

Los Angeles Fire and Police Pensions (LAFPP) provides subsidies for health plans for retired employees, spouses (including same-sex spouses), domestic partners, children and qualified surviving spouses/domestic partners. The IRS Code mandates that the medical subsidy used to provide medical benefits to the persons listed below must be reported as taxable income to the Retired Member or Survivor for federal tax purposes:

- Domestic Partners who are not the Retiree's Tax Dependent
- Same-Sex Spouses who are not the Retiree's Tax Dependent
- Children who are not the Retiree's Tax Dependent
- Qualified Surviving Domestic Partners and Same-Sex Spouses (where the member is deceased)

As such, LAFPP will include all subsidy payments made on behalf of domestic partners, same-sex spouses, qualified surviving domestic partners, qualified surviving same-sex spouses and children who are not tax dependents on a Form 1099-R as taxable income to the Retired Member or Survivor for 2010 tax year.



EXAMPLE:

A member and his/her domestic partner, who is not a tax dependent, are enrolled in a HMO two-party non-Medicare plan with a premium of \$950. The member is receiving a subsidy of \$950. To determine the tax liability for the medical subsidy, LAFPP determines the subsidy the member would have received if he/she was not covering a domestic partner. If the member was enrolled in the HMO one-party plan the premium would be \$500 and the subsidy would be \$500. Therefore the additional tax liability for this member would be: $\$950 - \$500 = \$450$ per month. The additional tax liability for the year would be \$5,400.

All Retired Members who have domestic partners or same-sex spouses on file were mailed forms to complete and return to certify whether their domestic partners / same-sex spouses are tax dependents. **If a Retired Member certified that his/her domestic partner / same-sex spouse is not a tax dependent or has failed to return the certification form, the medical subsidy payments made on his/her behalf will be considered taxable income for 2010.** If the tax status for your domestic partner or same-sex spouse has changed to a dependent or you previously failed to file a certification form, you may download it from the "Forms" link on the LAFPP website or contact the Medical and Dental Benefits Section to request that one be mailed to you.

Qualified surviving spouses and qualified surviving domestic partners receiving a medical subsidy will

have that amount reported on their Form 1099-R for the 2010 tax year.

LAFPP cannot determine for you if your dependent(s) are eligible to be claimed for federal income tax purposes. The definition of dependent for purposes of a Health Plan differs slightly, since certain subsections of the Internal Revenue Code Section 152 do not apply. Please contact the Internal Revenue Service and/or consult a tax professional to determine whether your same-sex spouse, domestic partner and/or their children who you carry on your medical plan meet the definition of "tax dependent" under federal tax law.

If you have any questions, please contact the Medical and Dental Benefits Section at (213) 978-4560 or (800) 787-2489 ext. 84560.

Health Subsidy Increase

For Non-Medicare Members

Effective July 1, 2010, the Non-Medicare/Medicare Part B Only Health Subsidy for members increased. The maximum monthly subsidy increased from \$958.52 to \$1,025.62, a 7% increase. The health subsidy for qualified surviving spouses/domestic partners who are not in Medicare or who are only enrolled in Medicare Part B did not change. The health

subsidy for qualified surviving spouses/domestic partners will change in January 2011.

Members who are at least age 55 and had at least 25 years of service qualify for the maximum subsidy of \$1,025.62, not to exceed the health plan premium. Members who retired prior to July 1, 1998 must be at least age 60.

For members with between 10 and 25 years of service, the maximum subsidy is prorated at 4% per year, not to exceed the health plan premium. If you have questions about qualifying for health or dental subsidies, please contact the Medical and Dental Benefits Section at (213) 978-4560 or (800) 787-2489 ext. 84560.

Important Reminder

For Members Enrolled in Medicare Parts A and B

Members who are enrolled in Parts A and B of Medicare and are currently receiving a reimbursement for their Medicare Part B premiums should not

cancel their Part B insurance. Members who cancel their Part B insurance will no longer qualify for a health premium subsidy nor the Medicare reimbursement.

Any health premium subsidies and/or Medicare reimbursements received after cancelling Part B will need to be repaid to LAFPP.



REQUESTS FOR PENSION VERIFICATION

Allow 3 working days

We often receive requests for pension verifications used for any type of loan processing. In order to process these requests in a timely manner, they must be submitted in writing and include the following:

1. Printed Full Name
2. Current Address & Phone Number
3. Last 4 SSN
4. Member's Signature

Mail or fax your request to:

Los Angeles Fire and Police Pensions
Retirement Services Section
ATTN: Joan Washington
360 E. Second Street, Suite 400
Los Angeles, California 90012
Fax: (213) 978-4504

To protect your privacy, all pension verifications are sent by mail and cannot be faxed. Please submit your request during your loan application process to ensure a timely return. Processing time is three working days after receipt of the request by the Department. For any questions, you may contact the Retirement Services Section at (213) 978-4495 or (800) 787-2489 ext. 84495.

Change of Address

We have News for You!

We have important pension benefit information to give you. This information could be delayed or not received at all if you don't have a current address on file with Los Angeles Fire and Police Pensions. More importantly, without a current address on file, your pension funds may be withheld. If we receive returned mail from your address on file, we will place a hold on your pension payments as a fraud prevention measure.

If you are planning to move or have moved, please send us a letter which includes:

- Pensioner's complete name
- Social Security number (last 4 digits)
- Complete new address
- Telephone number
- Pensioner's signature.

You may also download the Change of Address for Pensioners form available at www.lafpp.com under Forms, then Retired Members.



Fax or mail the letter or form to:

Los Angeles Fire and Police Pensions
Retirement Services Section
360 E. Second Street, Suite 400
Los Angeles, California 90012
Fax to: (213) 978-4504

Make sure to submit any changes to your mailing address to keep your records current. Avoid receiving your benefits late or not at all. If you have any questions, please contact the Retirement Services Section at (213) 978-4495 or (800) 787-2489 ext. 84495.

BOARD OF FIRE AND POLICE PENSION COMMISSIONERS

Newly Elected

The Office of the City Clerk certified Sgt. Robert von Voigt as the winner of the Police Department Active Member of the Board of Fire and Police Pension Commissioners general election conducted on April 27, 2010. Sam Diannitto was certified as the winner of the Fire Department Retired Member of the Board general election conducted on May 4, 2010. Congratulations, Commissioners Robert von Voigt and Sam Diannitto!

Newly Appointed

Two new members were appointed by the Mayor. Please welcome Commissioners Brenda Maull and Wayne Moore!

Below is a list of all the Board of Fire and Police Pension Commissioners:

Name	Appointed/Elected	Term Expires
Dean Hansell, President	Appointed	06/30/2015
Robert von Voigt, Vice President	Elected by Active Police Members	06/30/2015
George V. Aliano	Elected by Retired Police Members	06/30/2014
Sam Diannitto	Elected by Retired Fire Members	06/30/2015
Brenda Maull	Appointed	06/30/2012
Wayne Moore	Appointed	06/30/2014
Ruben Navarro	Elected by Active Fire Members	06/30/2012
Raúl Pérez	Appointed	06/30/2013
Adlai Wertman	Appointed	06/30/2011

If you have questions concerning the election results, please call our Administrative Services Section at (213) 978-4434 or (800) 787-2489 ext. 84434.

NEW E-MAIL ADDRESS FOR LAFPP

All e-mail addresses for Los Angeles Fire and Police Pensions have changed. The new domain of "@lafpp.com" has replaced the "@lacity.org" domain. For example, "John.Smith@lacity.org" has changed to "John.Smith@lafpp.com." Please update your e-mail address books so that we may receive your correspondence in a timely manner!

WHO ARE WE?

Look us up on www.lafpp.com! How much do you really know about your pension fund? Information about pension benefits as well as general information about the Department and fund is available on our Web site.

Take the time to visit "Who We Are" located on the red menu bar at the top of the screen. You will find a quick snapshot of the fund, some interesting statistics, a department directory and an organizational chart. Take this crash course to learn about the fund's portfolio, the number of members we serve and information about the staff that serves you.

2009 ANNUAL REPORT

Commemorative Issue

The 2009 Annual Report provides you with detailed information on the status and health of the LAFPP system for the year ending June 30, 2009. In honor of the 110th anniversary of the system, this commemorative issue includes historical photographs which capture the dedication of the members we serve. This report and historical reports are available online at www.lafpp.com under "What's New."



Dependent Child Documentation

Submit Documentation to LAFPP

If you have a Dependent Child, we encourage you to submit copies of any documentation you may have that declares your child disabled prior to the age of 21 and incapable of earning a livelihood. Eligibility for Dependent Child benefits is determined following a member's death and determination relies in great part on the availability of such records. If several years have passed it may be difficult to obtain documentation confirming the child's disability.

The information you collect to document the disabling condition may include medical records, school records, social security benefits, assisted living or institutionalization records, etc. The following additional information, where applicable, will also be requested by LAFPP:

- Birth Certificate
- Marriage Certificate
- Dissolution Decree
- Guardianship/Conservatorship papers
- Special Needs Trust

You may submit copies of the documentation in person, or mail to:

Los Angeles Fire and Police Pensions
Disability Pension Section
360 East Second Street, Suite 400
Los Angeles, CA 90012

Please note that determination as to whether your child qualifies for Dependent Child benefits will not be made until after your death, as provided in the Los Angeles City Charter and Administrative Code. At that time, a written request for the child to be granted Dependent Child status will be required. The process can be expedited by the early submission of the Dependent Child documentation. Be sure to retain the original documents and store them in a secure place where your family and/or your child's conservator will know where to locate them.

A letter confirming our receipt of your documentation is usually mailed within 10 business days. If you do not receive your letter or for more information on submitting Dependent Child documentation, please contact the Disability Pension Section at (213) 978-4500 or (800) 787-2489 ext. 84500.

Health Corner

TIMELESS ADVICE TO IMPROVE YOUR DIET

The Department of Agriculture recently issued new preliminary guidelines for improving the nation's diet. The core recommendations given were to cut back on salt, sugar and saturated fat, and consume more fruits and vegetables.

A majority of the American public has become overweight or obese and yet undernourished in key nutrients. Currently, Americans consume an average of 3,400 milligrams of salt daily. In the new guidelines, the recommended maximum daily intake is 1,500 milligrams. This new maximum daily intake is recommended for the entire population.

With the current health status among the American population, the Department of Agriculture and the Department of Health and Human Services are working to develop a national strategy involving better nutrition information, in addition to focusing on health, nutrition and physical education in schools and increased availability of fresh produce for consumers. A final version of the guidelines is expected by the end of this year.





HEALTH CARE REFORM UPDATE

Since its passage, there has been a great deal of media attention paid to the Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Reconciliation Act (HCERA), also known as health care reform. Along with this attention has come even more questions from LAFPP members regarding how the health care reform will affect their current City medical plan benefits. These questions are warranted

given the fact that many of the regulations governing health care reform have not been finalized, especially in regard to how health care reform affects retiree medical plan coverage requirements.

Health care reform is being administered by the US Dept. of Health & Human Services (HHS). However, other federal agencies are involved in enforcing the health care reform provisions.

For information on how regulations may affect you and your dependents, please visit www.lafpp.com. Under "What's New" you will find Frequently Asked Questions regarding health care reform.

LAFPP will do its best to keep members updated as provisions of health care reform are finalized. For more information, please contact the Medical and Dental Benefits Section at (213) 978-4560 or (800) 787-2489 ext. 84560.

CONTACT INFORMATION

Los Angeles Fire and Police Pensions

Our staff is available to assist you Monday through Friday (except holidays) from 8:00 a.m. to 5:00 p.m. Refer to the following directory so that the right staff member can address your specific need. When calling the toll-free number (800-787-2489), use the extension number provided for each section, followed by the pound sign.

Accounting (for Pensioners only)

(213) 978-4420 (or 84420#)

- Workers' Compensation (offset inquiries, balances due, etc.)
- Form 1099-R (current and prior tax years)

Communications & Special Projects

(213) 978-4530 (or 84530#)

- Newsletters
- Web site Updates

Medical and Dental Benefits (for Pensioners only)

(213) 978-4560 (or 84560#)

- Health Insurance Subsidy
- Medicare Part B Reimbursement
- Dental Insurance Subsidy
- Health Insurance Premium Reimbursement

Disability Pensions

(213) 978-4500 (84500#)

- Program
- Disability Pension Processing and Inquiries
- Survivor Pensions - Active Members
- Disability Pension Reviews
- Review of Dependent Children/Dependent Parent Qualifications

Retirement Services Section

(213) 978-4495 (or 84495#)

- Service Pensions
 - Service Pension Processing and Inquiries
 - Survivor Pensions - Retired Members
 - Retired Member Records and Information
 - Change of Address (for Pensioners only)
 - Discontinuance of Benefits (upon death or other ineligibility)

- Cost of Living Adjustments
- Direct Deposit
- Tax Withholding

- DROP - Information on the Deferred Retirement Option Plan

Other Ways to Contact Us

Toll Free: (800) 787-CITY (2489)

Fax: (213) 978-4450

TDD: (213) 978-4455

E-mail: pensions@lafpp.com

Web site: www.lafpp.com

Address: 360 E. Second St.,
Suite 400
Los Angeles, CA 90012



For your convenience, the following forms and pamphlets can be printed from our Web site:

Change of Address for Pensioners, Direct Deposit (for pensioners only), Domestic Partnership Declaration, Notice of Termination of Domestic Partnership, DROP Beneficiary, DROP Distribution

and Election Form, Health Insurance Premium Reimbursement Claim, Income Tax Withholding and Survivor Benefits Handbook.



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CLASS MAIL
US POSTAGE PAID
LOS ANGELES CA
PERMIT NO. 12932

Return Service Requested

Los Angeles Fire & Police Pensions
Mail Stop #390
360 East Second Street
Suite 400
Los Angeles, CA 90012

