



Pension Perspectives

OCTOBER 2001

Special Edition for Los Angeles City Fire and Police Active Tier 2 Members

Tier 5 – Enrollment Period

As you may know, every active sworn member of the LAFD and LAPD as of January 1, 2002, will be eligible to transfer to Tier 5. Tier 5 is a new pension plan approved by the voters in the June 2001 election.

Tier 5 will provide a 90% service pension for a member with 33 or more years of service. You will receive detailed information about other Tier 5 benefits and provisions before and throughout the enrollment period.

You may transfer to Tier 5 anytime between Wednesday, January 2 and Tuesday, December 31, 2002. ■

Planning for Tier 5

There is a great deal of interest in Tier 5 and, as you can imagine or have already observed, a great deal of confusion.

Your decision to transfer to Tier 5 or remain in Tier 2 may be the most important benefits choice you make in your City career. Your Department of Fire and Police Pensions will give you information over the next several months to help you with this decision. We will describe Tier 5, compare it to your current pension plan, and give you tools designed to help you make an informed choice. If you have questions, call the **new toll-free Tier 5 hot line at (877) 216-9819**. Hot line representatives will be available Monday through Friday from 8 a.m. until 5 p.m. to help you understand this new plan. The Member Services Section of your Department of Fire and Police Pensions will help coordinate transfers from your current tier to Tier 5.

In the near future, we will give you a **Tier 5 portfolio** – a special folder you can use to organize and store all the communication materials you receive about Tier 5. In addition to special editions of *Pension Perspectives*, planned communication materials include a personalized comparison statement, an online benefits comparison calculator (available on our web site), and enrollment instructions. You may also use the Tier 5 portfolio to keep track of

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Making ^{THE} Difference

■ What Tier Do I Belong To?

■ How Many Years Of Service Do I Have?

Currently, there are four tiers in the Fire and Police Pension Plan – Tier 1, Tier 2, Tier 3, and Tier 4. The tier you are a member of and your estimated years of service are on the cover sheet enclosed with this newsletter.

The chart below contains more information about your membership.

Member Information			
Tier Number	Covers Members Hired During Periods Specified Below*	Former Name of Tier	Pension Contribution
Tier 1	On or before January 28, 1967	Article XVII	6%
Tier 2	January 29, 1967, to December 7, 1980, inclusive (Members hired prior to January 29, 1967, had the option of transferring to this plan.)	Article XVIII	7%
Tier 3	December 8, 1980, to June 30, 1997 (Tier 4 members hired between July 1, 1997, and December 31, 1997, were given a certain time to transfer to Tier 3.)	Article XXXV Plan 1	8%
Tier 4	July 1, 1997, and later (in addition, some members of Tier 3 transferred to Tier 4.)	Article XXXV Plan 2	8%

* Certain exceptions may occur based on personnel transactions such as reappointments, reinstatements, and elections to transfer tiers.

Tier 5 vs. the DROP

Tier 5 is a new pension plan for new hires coming in January 1, 2002, or later. All active members will be able to transfer to Tier 5 from January 2 through December 31, 2002. DROP is entirely different.

DROP stands for *Deferred Retirement Option Program*. It is an optional program that allows active plan members to “retire” and have their retirement benefits deposited in a savings account within the retirement system. The money deposited into that account earns interest. Meanwhile, these same plan members in DROP continue to work, earn regular paychecks, and remain eligible to participate in all other benefit programs available to them as active members.

Joining DROP is a decision you make when you are ready to retire. DROP participation is limited to a negotiated period of time, typically five years, and members may leave the program anytime before that. Once the DROP period ends, members collect their DROP account money in a lump sum payment or roll it over to an Individual Retirement Account.

DROP still has to be negotiated between the City and Union representatives. When the negotiations are concluded, we will immediately send out information to members on the details of this program.



Is Tier 5 Right for Me?

We are coordinating with the Fire and Police Departments to conduct brief presentations on Tier 5. More extensive training sessions will also be held. These training sessions will provide a forum to answer questions, clarify issues regarding the transfer to Tier 5, and help you weigh the pros and cons of Tier 5.

See the schedule below for dates, locations, and times for November and December training sessions. Training sessions will continue throughout the Tier 5 enrollment period. We will publish schedules for future training sessions as soon as they are finalized.

Schedule of Tier 5 training sessions for November and December 2001

Date	Current Tier	Location	Time	No. of Spaces
11/5/01	Tier 2	Van Nuys Service Center 14401 Saticoy, Van Nuys	0900 – 1030	90
11/5/01	Tiers 3 & 4	Van Nuys Service Center 14401 Saticoy, Van Nuys	1100 – 1230	90
11/6/01	Tier 2	Van Nuys Service Center 14401 Saticoy, Van Nuys	0900 – 1030	90
11/6/01	Tiers 3 & 4	Van Nuys Service Center 14401 Saticoy, Van Nuys	1100 – 1230	90
11/7/01	Tier 2	Van Nuys Service Center 14401 Saticoy, Van Nuys	0900 – 1030	90
11/7/01	Tiers 3 & 4	Van Nuys Service Center 14401 Saticoy, Van Nuys	1100 – 1230	90
11/8/01	Tier 2	Grace Simons Lodge 1025 Elysian Park Dr., LA	0900 – 1030	75
11/8/01	Tiers 3 & 4	Grace Simons Lodge 1025 Elysian Park Dr., LA	1100 – 1230	75
11/8/01	Tier 2	Grace Simons Lodge 1025 Elysian Park Dr., LA	1400 – 1530	75
11/8/01	Tiers 3 & 4	Grace Simons Lodge 1025 Elysian Park Dr., LA	1600 – 1730	75
11/28/01	All Tiers	Pensions Dept. 360 E. Second St., Suite 800, LA	1130 – 1230	40
12/11/01	Tier 2	Grace Simons Lodge 1025 Elysian Park Dr., LA	0900 – 1030	75
12/11/01	Tiers 3 & 4	Grace Simons Lodge 1025 Elysian Park Dr., LA	1100 – 1230	75
12/11/01	Tier 2	Grace Simons Lodge 1025 Elysian Park Dr., LA	1400 – 1530	75
12/11/01	Tiers 3 & 4	Grace Simons Lodge 1025 Elysian Park Dr., LA	1600 – 1730	75
12/14/01	All Tiers	Pensions Dept. 360 E. Second St., Suite 800, LA	1130 – 1230	40

See Is Tier 5 Right for Me? on page 6

For Tier 2 Members Only –

Buying Back

“Bad Time”/Lost Service Time (LST)

If you are a Tier 2 member, you can purchase your Bad Time/LST (such as suspension or leave without pay). The Charter does not allow Tier 3 and Tier 4 members to purchase Bad Time/LST. Also, Tier 5 members will not be able to purchase Bad Time/LST. Therefore, if you elect to transfer to Tier 5 and you wish to purchase any Bad Time/LST, you must do so before you transfer.

As a Tier 2 member, you are able to purchase Bad Time/LST if you worked an equivalent number of hours of cash overtime. If you do not have enough cash overtime hours to purchase all of your Bad Time/LST, you can purchase what is available to you, based on your current overtime hours. As you accumulate cash overtime, you may purchase your remaining Bad Time/LST, if desired.

Q: For Tier 2 members, what is the advantage of buying back Bad Time/LST?

A: Purchasing Bad Time/LST adds service credit to the years of service used to calculate your pension benefit. Generally, the more years of service you have when you retire, the greater your pension benefits will be.

If you want to transfer to Tier 5, you can purchase your Bad Time/LST while you are still under Tier 2. Remember, once you transfer to Tier 5, you will no longer have an opportunity to purchase your existing Bad Time/LST. It must be purchased prior to transferring to Tier 5.

Q: I'm a Tier 2 member, what do I have to do to purchase Bad Time/LST?

A: To purchase your Bad Time/LST, complete and return the enclosed **Request to Purchase Lost Service Time (Bad Time)** form in the envelope provided (or send it to Mail Stop 390). We will mail you an estimate of the cost to purchase your Bad Time/LST. After your Bad Time/LST hours and cash overtime hours are verified, you can buy your available Bad Time/LST with a single, lump-sum payment by check.

Q: I am planning to transfer to Tier 5; when should I buy my available Bad Time/LST?

A: As soon as possible. Purchasing your Bad Time/LST early will help avoid any delays transferring to Tier 5. We recommend that you start the process at least three months before the date you plan to transfer. This should provide enough time for you, the Department of Fire and Police Pensions, and your employing department to resolve any issues regarding your Bad Time/LST records, and to process your paperwork and payment.

See Buying Back “Bad Time” on page 6



DEPARTMENT OF
Fire AND Police Pensions
 OF THE CITY OF LOS ANGELES

Making THE Difference

Is Tier 5 Right for Me? Continued from page 4

Call the Member Services Section at (213) 485-4493 to reserve a space at a Tier 5 training session. Space is reserved on a first-come, first-served basis. Please make your reservation no later than 12 noon on the day before the session you plan to attend.

Upon request, Pensions staff will make presentations at your work location (e.g., during roll calls, training days). To schedule these presentations, please

call the Member Services Section at (213) 485-4493 at least two weeks prior to the date you want to have the presentation.

You need to evaluate whether Tier 5 is to your advantage or within your future plans. The Member Services Section of your Department of Fire and Police Pensions is here to educate you about your pension options and to help you make the decision that's best for you. ■

Buying Back "Bad Time"

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Q: How do I find out how much Bad Time/LST I have and how much it will cost me to purchase it?

A: We have enclosed a **Lost Service Time History Report** from Fire and Police Pensions records with this newsletter. The report shows how much Bad Time/LST may be available for you to purchase. The enclosed **cover sheet** shows your cash overtime hours, years of service, and tier membership. With this information, you should be able to calculate the approximate cash amount needed to buy your Bad Time/LST.

Q: What if I don't agree with the number of Bad Time/LST hours or cash overtime hours reported by Fire and Police Pensions?

A: Please call the appropriate number below:

Fire Department
 Payroll &
 Accounting.213-485-6076

Police Department
 Payroll &
 Accounting.213-978-6650 ■

Planning for Tier 5

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your notes, information you print from our web page, and handouts you receive at Tier 5 meetings.

We will mail your portfolio and other communication materials to your home, so please make sure we have your current address. We use the address on file with your Personnel Division. ■



DEPARTMENT OF
Fire AND Police Pensions
OF THE CITY OF LOS ANGELES

Mail Stop #390
360 East Second Street
Suite 600
Los Angeles, CA 90012
Telephone (213) 485-4493

Request to Purchase Lost Service Time ("Bad Time")

I hereby request to purchase service credit for periods of absence without pay.

Total number of days to be purchased _____

Name (please print)

Social Security Number

Home Address

City

State

ZIP Code

Business Telephone Number

Home Telephone Number

Signature

Date

NOTE: Those purchasing service credit should be aware that the application process may be delayed if the employing department is unable to immediately research their records to verify the overtime dates and the lost service time.

Please return this form by fax to: (213) 847-3529

OR by mail to:

Mail Stop #390
Department of Fire and Police Pensions
Attn: Member Services
360 East Second Street, Suite 600
Los Angeles, CA 90012

Please make a photocopy for your files.

Purchasing “Bad Time”/Lost Service Time (LST)

“Bad Time,” also known as Lost Service Time (LST), is the number of *calendar* hours that, for any of a number of reasons, does not count toward your pension service time. Generally, it results from unpaid absences during which you did not make pension contributions. If you want to receive service credit for some or all of your Bad Time/LST:

- You must purchase it with a lump sum payment by check, **and**
- You must have received at least one hour of overtime paid in cash for each hour of Bad Time/LST you wish to purchase.

As a Tier 2 member, you pay 7% of your current *calendar-day* salary rate for each *calendar day* of Bad Time/LST you wish to purchase.

The Lost Service Time History Report included with this form shows how many *calendar hours* of Bad Time/LST you currently have – based on Department of Fire and Police Pensions records as of the pay period ending August 11, 2001.

Sample Cost Calculation

Suppose you have 496 calendar hours of Bad Time/LST and your current bi-weekly pay rate is \$2,492.80. The lump sum cost to purchase all 496 hours is calculated as follows:

1. Divide the number of Bad Time/LST calendar hours by **8** to determine your Bad Time calendar days.
Bad Time/LST calendar hours: $496/8 = 62$ Bad Time/LST calendar days
2. Divide your most current bi-weekly pay rate by 14 to determine your pay per calendar day.
Bi-weekly pay rate: $\$2,492.80/14 = \178.06 pay per calendar day
3. Multiply the resulting pay per calendar day (from step 2) by **0.07 (7%)** to determine your pension contribution per calendar day.
Pay per calendar day: $\$178.06 \times 0.07 = \12.46 pension contribution per calendar day
4. Multiply the resulting pension contribution per calendar day (from step 3) by the number of calendar days of Bad Time/LST you wish to purchase (from step 1) to determine the lump sum amount you need to purchase your Bad Time/LST.
Pension contribution per calendar day: $\$12.46 \times 62$ calendar days of Bad Time/LST = $\$772.52$ lump sum amount needed to purchase 496 calendar hours of Bad Time/LST

Bad Time/LST Cost Estimation Worksheet

Use this worksheet to estimate the cost to purchase your Bad Time/LST. To purchase Bad Time/LST, complete the front of this form and return it to Member Services in the enclosed envelope. You will receive a written Bad Time/LST cost estimate about eight to twelve weeks after your form is received.

1. Bad Time/LST calendar hours matched by overtime hours: _____ /8 = _____ Bad Time/LST calendar days.
2. Current bi-weekly pay rate: \$ _____ /14 = \$ _____ pay per calendar day.
3. Pay per calendar day (from step 2): \$ _____ x 0.07 = \$ _____ pension contribution per calendar day.
4. Pension contribution per calendar day (from step 3): \$ _____ x _____ calendar days of Bad Time/LST (from step 1) = \$ _____ lump sum amount needed to purchase Bad Time/LST.

Important: If you are transferring from Tier 2 to Tier 5 and you wish to purchase any Bad Time/LST, you must complete the purchase before you transfer.

How We Calculate Your Bad Time/LST Hours

The personalized listing of your Bad Time/LST reflects calendar hours. There is an important difference between calendar hours and work hours. Please review the following information carefully so that you understand how and why we reflect your Bad Time/LST in calendar hours.

For every 10 days of work (see below for Fire Department platoon duty exception), you receive 14 calendar days of service credit. So, to convert work days to calendar days, we multiply work days by 1.4. Using the above example, 10 work days times 1.4 = 14 calendar days.

If you are suspended for 10 work days, our records reflect that you have 14 calendar days of Bad Time/LST (i.e., 10 times 1.4 = 14 calendar days of Bad Time/LST).

We “store” Bad Time/LST in calendar hours. We take Bad Time/LST work hours and multiply by 1.4 to arrive at the number of calendar hours.

For example, if you were suspended for five days, you would have 40 work hours of suspension. We multiply that number by 1.4 to arrive at 56 calendar hours of suspension.

Storing Bad Time/LST in calendar hours simplifies the years of service calculation, as we divide the number of calendar hours by 8 to arrive at the number of calendar days of Bad Time/LST you have. We then deduct the calendar days of Bad Time/LST from your years of service to arrive at your correct years of service. Please note that the Bad Time/LST records we have are not final – prior to any final pension calculation or your request to purchase Bad Time/LST, your employing department must sign off on the correct amount. In cases where our records differ, we use the records of the employing department.

Calculating Bad Time/LST for Time on Platoon Duty

If your Bad Time/LST hours occurred while you were working platoon duty in the Fire Department, your work hours are equal to calendar hours. Similarly, your work days equal calendar days. Because of this, we can divide your platoon duty hours by 8 to arrive at the number of calendar days of service.

For example, in a two-week period you work 112 hours on platoon duty. If you divide 112 by 8, you get 14. This equals the number of calendar days of service in a two-week period.

BAD TIME/LST CODES

Your Lost Service Time History Report lists Bad Time/LST by the codes in the payroll system. Below is a brief description of the codes. Please note that Tier 2 members cannot purchase TAR (terminated and returned) time. TAR time is time that occurs between two separate sworn employment periods. For example, you may have worked as an officer for three years, terminated, taken a refund, been off for two years, then come back to work as a police officer. With this you would have two years of TAR time, or 5,840 calendar hours of TAR time.

Lost Service Time (LST) Codes

Code	Description
AS	Absent Without Pay (6 months)
AW	Absent Without Pay
ID	I.O.D. Pay
IF	I.O.D. 75% Pay
IH	100% I.O.D. – Uniform Only
IJ	I.O.D. Net Pay Compt (POS)
IK	I.O.D. Net Pay (NEG)
IP	I.O.D. Para. – 90% Min/Pen
IT	I.O.D. Net Rate Sworn Empl.
I7	93% I.O.D. – Uniform Only
I8	92% I.O.D. – Uniform Only
LW	Leave Without Pay
NP	New Hire/No Pay Init. P.P.
RW	Reduced Wrk. Wk.
SP/21	Suspension
TE	Termination/Hrs. No Pay
TR	Temp. Relief/Duty – Pen. Inves
TAR	Terminated and Return
WC/27	Workers' Compensation
8A	Sick
8B	Vacation
8D	Overtime Off 1.5
8E	Family Illness > 40.0 Hrs.
8F	Preventive Medicine
8G	Overtime Off 1.0
8H	Floating Holiday
8J	Discretion. Time "D" Family
8K	Family Leave "C" Class
8L	Personal Leave
8M	Bereavement Lv - No 100% SK
8P	Personal Business Exec. Max.
8Q	Old Overtime Off (1.5)
8R	Old Overtime Off (1.0)
8S	Desert Storm Pay Invalid
8T	BP Not Allowed MOU
8V	AW – Transfer from Bank
8Z	Excess. Reg. Sched. Hrs.

Code	Description
09	Terminated Emp. Temp. Reinstated Only
11	Regular Full Time Employee
22	Leave Without Pay Pending Retirement
23	Personal Leave Without Pay
24	Sick Leave Without Pay
25	Family Leave Without Pay