



PENSION PERSPECTIVES

Summer 2001 Newsletter for Los Angeles City Fire & Police ACTIVE Members (UPDATED 8/28/2001)

What's New

TIER 5

A New Pension Plan for ACTIVE Members

A new pension plan, Tier 5, was approved on the June 5, 2001 ballot. Tier 5 will be effective January 1, 2002, for newly hired employees. Current members of Tiers 2, 3 and 4 may elect to transfer into Tier 5 during a six to twelve month time period to be specified by the Board of Fire and Police Pension Commissioners. We anticipate the transfer period will begin in January 2002.

The following are the essential terms of Tier 5:

Service Pension Eligibility Requirements

20 years of service AND minimum age of 50

Years of Service (YOS) Credit

Maximum pension is 90% with 33 years of service. Vesting is at 20 years. In other words, you must have at least 20 years of service and be at least age 50 to retire on a service pension.

The minimum service pension for members is 50% of Final Average Salary at 20 years of service. You receive an additional 3% per year of service for years over 20, except for the 30th year where you receive 4%, and 3% per year thereafter.

See Tier 5 on Page 2

Headline News

DEFERRED RETIREMENT OPTION PLAN

City Council given the Authority to Create a DROP Program

On April 10, 2001, a measure was approved by the voters that gives the City Council authority to establish a Deferred Retirement Option Plan (DROP) for sworn members of the Fire and Police Departments. To be implemented, DROP would first have to be negotiated by union representatives and City representatives and forwarded to City Council for adoption.

What is DROP?

DROP allows a member who meets eligibility requirements

See DROP on Page 3

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Years of Service Formula

20=50%	23=59%	26=68%	29=77%	32=87%
21=53%	24=62%	27=71%	30=81%*	33=90%
22=56%	25=65%	28=74%	31=84%	

Mandatory Employee Contribution

Members contribute 9% but the City will pay 1% of the 9% as long as the pension fund remains at least 100% actuarially funded for pension benefits. Contributions stop at 33 years of service.

Salary Base for Pension Calculation

Highest one-year average salary.

Refundability of Contributions

Employee contributions plus interest are refundable if the member terminates or resigns.

Cost-of-Living Adjustment (COLA)

COLA is capped at 3%, with a COLA bank. Any COLA increase over the 3% cap is deposited into a retiree's "COLA bank." If, in the following years, the COLA increase is below the 3% cap, the additional percentage is withdrawn from the COLA bank and applied to the current COLA amount, up to the 3% cap.

For example: The COLA to be paid to eligible retirees effective July 2001 is 3.6%. For Tier 5, since the COLA is capped at 3%, 0.6% is banked. If the July 2002, COLA is 2.4%, the 0.6% in the COLA bank would be withdrawn and added to the 2.4% to bring the COLA amount to the maximum of 3%. The COLA bank would then have a 0% balance.

Deferred Pension Option

The Deferred Pension Option allows members under 50 years of age who have over 20 years of service to defer their monthly pension until the member has reached age 50. **However, the retirement calculation will be based on the Tier 3 retirement formula of 2% per year of service up to 20 years and 3% for each subsequent year, to a maximum of 70%.**

Note: If you elect the Deferred Pension Option, your qualified survivor(s) would not receive a pension if you were to die before turning 50.

Retiree Dental Subsidy

UPON APPROVAL OF THE BALLOT MEASURE, the City agreed to adopt an ordinance to provide a dental subsidy to retired members, substantially similar to the plan provided to Los Angeles City civilian retirees. See the Retired Dental Subsidy article on page 3 for more details.

Future Information

The Department of Fire and Police Pensions will provide additional information as it becomes available to all members in future newsletters. We will also update our web page with current information at www.lacity.org/pen . Look for a COLA calculator to soon be posted on our website. The COLA calculator will allow members to evaluate their existing tier provisions to the provisions of Tier 5.

In addition, we will be distributing information to members comparing current tier membership provisions to the new Tier 5 provisions, followed by an enrollment packet to transfer to Tier 5.

Your Fire and Police Pension system staff will be coordinating Tier 5 training talks with the training coordinators in the Fire and Police Departments. For additional information on Tier 5, contact Member Services at (213) 485-4493 or email us at Tier5@fppen.lacity.org . ♦

for a service pension to “retire” but continue working and collecting active pay. Meanwhile, the monthly pension benefit would be deposited into a DROP account. Although a DROP program and specific plan design are still subject to negotiations, here are some plan design elements of DROP.

Generally, a member of a retirement system who is eligible for service retirement may enter DROP and:

- Continue to work and receive a salary for a specified number of years;
- Cease earning additional retirement service and pay credits;
- Have a monthly benefit that would have been paid (had he or she actually retired) credited to a DROP account; and
- Must terminate employment before or at the end of the DROP period.

When the member actually retires, he or she receives:

- Monthly pension allowance based on service and salary at the beginning date of the DROP; and
- Proceeds from the DROP account.

What is the primary benefit of joining DROP?

As a participating member, when you finally retire, you will collect a monthly pension benefit AND the proceeds from the DROP account are paid out. The decision to participate in DROP is personal to each individual’s situation. There are pros and cons that must be weighed individually.

IN THE MEANTIME, it is important for members to keep their addresses current with their personnel division of the Fire or Police Departments. See the article *Where Are You?* on page 4 for more information on how to do update your address.

As soon as more specific information is available, the Department of Fire and Police Pensions will distribute this information through newsletters and communication packages. We will also keep current information on our web

page at www.lacity.org/pen . ♦

RETIRED DENTAL SUBSIDY

UPON APPROVAL OF THE TIER 5 BALLOT MEASURE ON JUNE 5, 2001, the City agreed to adopt an ordinance to provide a dental subsidy to RETIRED members. This subsidy is substantially similar to the plan provided to the Los Angeles City civilian retirees. The basic provisions are as follows:

- Members must have at least 10 years of service to be eligible to receive a dental subsidy;
- A percentage is allotted for each completed year of service;
- The total percentage is then multiplied by the maximum subsidy amount (maximum to be determined).

The Department of Fire and Police Pensions will provide you with more detailed information after the City Council approves the specific provisions of the dental subsidy program.

For more information, contact the Member Services Retired Unit at (213) 485-4493 or by email at cpayne@fppen.lacity.org . ♦

DEPARTMENT OF FIRE AND POLICE PENSIONS

Our office is open from Monday through Friday, 8:00 a.m. to 5:00 p.m. We are located at 360 East Second Street, Suite 600, Los Angeles, CA 90012-4203.

Email Address:	Pensions@fppen.lacity.org
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Disability Pensions:	(213) 485-2748
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WHERE ARE YOU?

...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 your employing department.

The Department of Fire and Police Pensions mails communications directly to the address you have on file with the City payroll system. If your address information is not current in the City payroll system, information such as the recent pension enhancements adopted in the April and June 2001 elections may be delayed or may not reach you. Contact the personnel division of your department to obtain the necessary forms.

For the sworn members of the **Police Department**, the procedure to update your address starts with the completion of LAPD FORM 1.2, "Address and Phone No. Record Form". Upon submitting this completed form to your Division, request an update of your address in the City payroll system.

For the sworn members of the **Fire Department**, the form used to update your address is Form F-8, the "Roster Change Form". ♦

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