



Pension Perspectives

FALL 2003

Newsletter for Los Angeles City Fire & Police Active Members

DROP... Is Underway

DROP (Deferred Retirement Option Plan) is a program that allows you to start accumulating your service pension benefits while you continue to work and receive pay and benefits as an active employee. While participating in DROP, your monthly pension benefits are credited to your DROP account. Your DROP account earns 5% interest, plus any applicable cost-of-living raises, on a tax-deferred basis. When you decide to leave the DROP program (after 1 day or up to 5 years maximum), you are required to terminate sworn employment with the Fire or Police Department. You will then begin to receive your regular pension benefits on a monthly basis. Your pension benefits will be based upon your years of service (YOS) and salary at the time you entered DROP. Once you exit DROP, you may elect to receive your accumulated DROP account balance either in a lump sum or you may roll all or part of your balance into another tax-qualified account.

DROP is currently available for a 5-year period (DROP window), which began May 1, 2002. The window will end April 30, 2007, but may be extended if the City Council decides to do so. You can participate in DROP up to a maximum of 60 months (5 years) regardless of when you sign up during the 5-year window.

As of June 30, 2003, there have been 942 (364 Fire and 578 Police) DROP participants. Since then, 60 have left DROP and 882 (335 Fire and 547 Police) members are still active participants of DROP.

You are eligible to enter DROP if:

- You are in Tier 2 or Tier 4 and you have at least 25 years of service, or
- You are in Tier 3 or Tier 5 and you have at least 25 years of service and are at least age 50.

If you plan on joining DROP, the following information will help you begin the process:

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Attention Tier 5 Members! Summary Plan Descriptions Are Online

The Summary Plan Description (SPD) describes in informal language the most important provisions and features of Tier 5. (The legal text of the plan is in the City Charter and Los Angeles Administrative Code.)

The SPD for Tier 5 has been posted on our website at www.lacity.org/pen. Look under Benefit Information, Pension Plan – SPDs, then Tier 5. SPDs for Tiers 2, 3 and 4 are also posted. Please visit the website to view the most current version.

The SPD provides information on Service Pensions, Disability Pensions, survivor benefits, health and dental subsidies, and other important topics. If you have any questions on the provisions of Tier 5, you can contact Member Communications at (213) 978-4523. ■

See *DROP... Is Underway* on page 3

Use Your Deferred Compensation Funds to Purchase Service Credit

Recent federal and state legislation allows you to use your Deferred Compensation funds to purchase service credit and lost service time, a.k.a. bad time. (Note: only members of Tier 2 can purchase lost service time, pursuant to the City Charter.)

To purchase service credit, you must take the following steps:

STEP 1 Request a cost estimate from Active Member Services. Your estimate will include a “Request for Contract or Payment Instructions” which will be mailed to you.

You can request a cost estimate to purchase service credit or lost service time by:

1) Calling Member Services Section at (213) 978-4522: Pensions’ staff will take your information over the phone and mail you the cost estimate, or

2) Mailing or faxing a completed request form to:

Department of Fire and Police Pensions
Member Services Section
360 East Second Street, Suite 400
Los Angeles, CA 90012
MAIL STOP: 390
FAX No: (213) 978-4450

You can print a request form from our website at www.lacity.org/pen.

STEP 2 Complete and return the “Request for Contract or Payment Instructions” to Pensions. Indicate on the form you want to use a direct rollover of funds from an eligible retirement plan.

STEP 3 Pensions will then send you a “Trustee-to-Trustee Transfer/Direct Rollover Form.” Upon receiving this form, call Great-West (the Deferred Compensation Administrator) at (888) 466-0381 to request a “Deferred Compensation Plan Distribution/Direct Rollover Form.”

STEP 4 Return the signed originals of both forms (Pensions’ form and Great-West’s form) to the Deferred Compensation Section of the City’s Employee Benefits Office, Personnel Department:

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Based on the tier you are in, the following are the types of service credit you can purchase:

	Tier 2	Tier 3 or Tier 4	Tier 5
Drill Tower/Police Academy Training Time	N/A ¹	Yes	Yes
Prior Service as a Paramedic	No	Yes – as a paramedic under LACERS	Yes – as a paramedic under LACERS ²
Workers’ Compensation Under State Rate	N/A ³	Yes	Yes
Time Spent on Nonservice-connected Disability Pension	N/A ⁴	Yes	Yes
Prior Service	Under Tiers 1 or 2	Under Tiers 1, 2, 3 or 4	Under Tiers 1, 2, 3, 4 or 5
Lost Service Time	Yes	No	No

¹Not applicable – Tier 2 members recruit training time is included in Years of Service.

²Prior Tier 2 members who transferred to Tier 5 cannot purchase prior Paramedic time.

³Not applicable – workers’ compensation time is not deducted from Years of Service for Tier 2 members.

⁴Not applicable – under certain conditions, Tier 2 members may be credited for time spent on a disability pension. Please refer to the Tier 2 Summary Plan Description for details.

Note: If you are *within 3 months* of your retirement date, you cannot use Deferred Compensation funds to purchase service credit.

City’s Employee Benefits Office
Deferred Compensation Plan
200 North Spring Street, Room 867
Los Angeles, CA 90012
MAIL STOP: 621

It can take 8 to 12 weeks to process your cost estimate because it may be necessary for your employing department (Fire or Police Department) to research your records. When your cost estimate is ready, we will send it to you in a packet along with the other forms you need to complete.

The above information illustrates the process for purchasing service credits through Deferred Compensation. You may also be able to use funds from other qualified plans such as Los Angeles City Employees Retirement System or Water & Power Employees’ Retirement Plan. For more information or any questions, please call the Active Member Services Section at (213) 978-4522. ■

DROP... Is Underway

Continued from page 1

When Entering and Exiting DROP

When you enter or exit DROP, you must *first* schedule an appointment with your Department's Retirement Counselor.

- Fire – contact (213) 485-6077
- Police – contact (213) 485-4054

When entering DROP, the counselor will help you determine an enrollment date as well as provide you with a "Letter of Intent" to enter DROP.

When exiting DROP, the counselor will help you determine an exit date as well as provide you with a "Letter of Intent" to terminate employment, exit DROP and begin receiving a regular service pension.

Selecting a DROP Effective Date

When choosing an effective date to enter DROP, please keep in mind you will only receive service credit for completed pay periods. To receive credit for an entire pay period, choose a DROP date effective on or immediately following the close of the last day in a pay period.

Cost-Of-Living Adjustment (COLA)

Tier 2 DROP participants receive a COLA on the July 1 that immediately follows their DROP effective date. For example, a participant with an effective date of July 26, 2002 received their first COLA effective July 1, 2003. The COLA is *capped at 3%* while in DROP and there is *no COLA bank*. Once the participant exits DROP and begins receiving a regular service pension, the member is entitled to an uncapped COLA the following July 1.

Tier 3/Tier 4 DROP participants receive a prorated COLA their first year of DROP participation. For example, someone with a DROP effective date of January 26th will have been in DROP for five complete months by July 1 that same fiscal year. That participant will receive 5/12 of the COLA effective July 1. If the full COLA is 3%, that participant will receive a 1.25% (5/12 x 3%) COLA. While in DROP, and as a retiree, the COLA is *capped at 3%*. There is *no COLA bank* for Tier 3 and Tier 4 members.

Tier 5 DROP participants receive a prorated COLA their first year of DROP, same as Tiers 3 and 4. (See example above.) While in DROP, and as a retiree, the COLA is *capped at 3%* and *there is a COLA bank*.

A COLA bank "stores" any increases in the Consumer Price Index (CPI) above the 3% cap. In years when the COLA is below the 3% cap, the difference between the actual CPI and

3%, if available, is deducted from the bank to bring the allocated COLA as close to 3% as possible. The year's CPI percentage plus the amount taken from the COLA bank cannot exceed 3%.

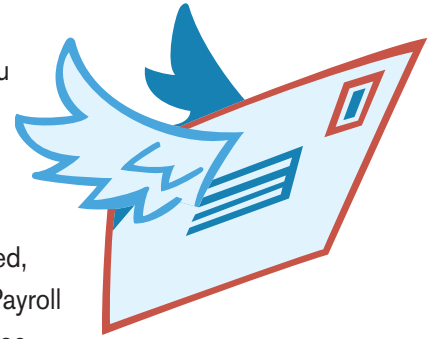
DROP Reassessment

The City will reassess DROP approximately two-and-one-half years after DROP began (on or about 11/1/2004). The purpose of the reassessment will be to determine if DROP is meeting the intent and cost-neutrality requirements of the Charter. Any changes made will be effective on or about 5/1/05 and will only affect members who join DROP after the changes. For example, if the changes are effective 5/1/05, members who join DROP 5/1/05 and later will be subject to the new provisions.

For detailed information on the provisions of DROP, you can visit our website at www.lacity.org/pen. Look for DROP under "What's New" and you will find information on enrollment, a calculator and newsletter with a Question and Answer Section, as well as other helpful topics. You can also call the DROP Section at (213) 978-4568 if you have any questions. ■

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Active Member Pension Statement



The first Annual Active Member Pension Statements were mailed on May 30, 2003. If you were an active member as of March 1, 2003, you should have received a statement. The statement includes information about your tier, years of service and the contributions you have made to your pension system.

If you did not receive a statement, it may have been mailed to an old address. If you have moved, please call your Department's personnel office so they can change your records in the City's Payroll System, as we use City Payroll address information in our database. The number to call at Police Personnel is (213) 485-5245. The number to call at Fire Personnel is (213) 485-6077.

In the future, the Pension Statement will be mailed to you annually in late spring or early summer. The statement can be helpful to you in retirement planning and you can provide the statement to financial institutions that need information on your pension benefits. However, please note that **you cannot borrow against your pension account.**

If you did not receive your pension statement, please call the Active Member Services Section at (213) 978-4522 to request a copy. We can be reached between 8:00 AM to 5:00 PM, Monday to Friday. Or you may visit our office at 360 East Second Street, Suite 400, Los Angeles, CA 90012 to obtain a copy in person. ■

Tier 5 Transfer Statistics

Tier 5 is the newest tier of the Fire and Police Pension system. Tier 5 took effect on January 1, 2002 for new hires and members of Tiers 2, 3 and 4 who elected to transfer. The Tier 5 enrollment period for transfers closed December 31, 2002. New members who are hired on or after January 1, 2002 automatically become members of Tier 5.

Members often ask how many members transferred to Tier 5. The following are the Tier 5 transfer statistics:

	Fire	Police	Total No.	Total %
From Tier 2	987	1,274	2,261	82.19%
From Tier 3	1,068	3,890	4,958	78.03
From Tier 4	969	1,659	2,628	81.72%
Total Transferred	3,024	6,823	9,847	
Total % Transferred	91.36%	75.72%	79.92%	

The major provisions of Tier 5 are:

- 90% pension with at least 33 years of service
- Eligibility to receive a service pension at 20 years of service *and* at least age 50
- 3% COLA cap with a COLA bank
- Refundability of contributions

For any questions on the Tier 5 transfer statistics, you can contact Active Member Services at (213) 978-4522. ■

Funding Status

Based on the report from our actuary for the one-year period ending June 30, 2002, your pension plan remains fully funded! For the period ending June 30, 2002, on an actuarial basis and combining pension and health benefits, the plan is 105.1% funded. The actuarial value of assets is determined by phasing in the market value of assets over a five-year period.

The chart below reflects the actuarial funding progress from June 30, 1998.

FY Ending	Benefits % Funded	Health % Funded	Combined % Funded
6/30/2002	108.3	66.4	105.1
6/30/2001	118.9	68.3	115.0
6/30/2000	114.4	65.6	110.7
6/30/1999	104.7	66.5	102.1
6/30/1998	94.2	59.3	91.9

Although our pension plans are fully funded, our health plans are not. We started pre-funding the health plans in 1989. Since that time, we have achieved 66% funding. Your health subsidy is a negotiated benefit and is not dependent upon the funding status.

Please note that even though we are fully funded, the active members and the City continue to contribute to the pension system. ■

The City of Los Angeles Deferred Compensation Plan

Are You Taking Full Advantage???

Submitted by Usha Archer, Great-West/BenefitsCorp

Did you know.....

- The City's Deferred Compensation Plan will let you contribute up to **\$12,000** in 2003?
- If you are 50 or older, you can contribute up to **\$14,000** in 2003?
- If eligible for Catch-up, you can contribute up to **\$24,000** in 2003?
- You can consolidate your other pre-tax retirement accounts (401(k), IRAs, etc.) into the City's Deferred Compensation Plan?

New Federal tax law changes now permit you to shield more of your current income from taxes through deferred compensation plans. Taking advantage of these higher contribution limits allows you to save on taxes as well as contribute more to your retirement at the same time. Now may be the time to consider increasing your contributions! Even a modest increase in how much you contribute can help give you an advantage in meeting your retirement goals.

New rules also allow you to roll over assets from IRAs or 401(k) plans with prior employers, consolidating all of your retirement assets in one convenient place. This enables you to take advantage of the wide investment menu, low fees and customer-friendly service available to you through the City's Plan.

How to reach us

Contact Great-West, the City's Deferred Compensation Plan Administrator, for more information at:

Local Office

Employee Benefits, City Hall
200 N. Spring Street, Room 867,
LA 90012

Hours 8 am to 12:30 pm and 1:30
pm to 4 pm

Phone

KeyTalk® (888) 457-9460

Website

www.benefitscorp.com/cityofla

Enrollment is easy. All it takes is a phone call to Great-West, the Plan's record-keeper. Representatives are available to answer your questions, provide you enrollment forms and help set up your account.

Other benefits of the Plan include:

- Minimum contributions as little as \$15 per paycheck
- Ease of payroll deduction
- State-of-the-art website, phone system and account statements to help you track your investments

Have you moved?

If you have moved, or haven't been receiving statements from the Deferred Compensation Plan, please call Great-West, the Plan's administrator, at (888) 457-9460 to update your address (no form is required). Press 0 at the prompt during normal business hours to talk with a representative in the national service center.

DROP program and Deferred Compensation

Active members of the Fire/Police Pension Plan are now eligible to participate in a Deferred Retirement Option Plan (DROP). Upon severance of service, the new legislative changes permit you to roll over your DROP funds into your Deferred Compensation Plan account. This will allow you to consolidate your retirement savings and enjoy the enhanced investment option menu offered within the City's Plan. ■

Core securities (except the Self-Directed Brokerage Option) are offered through BenefitsCorp Equities, Inc., a wholly owned subsidiary of Great-West Life & Annuity Insurance Company. For Plan investment option information, including fees and expenses, you may obtain applicable prospectuses and/or disclosure documents from your registered representative. Read them carefully before investing. Representatives of BenefitsCorp Equities, Inc. are not Registered Investment Advisers, and cannot offer legal or tax advice. Please consult with your financial planner, attorney and/or tax advisor as needed. Due to unforeseen events, BenefitsCorp/Great-West representatives on rare occasions may not be available at the service center.

¹Access to KeyTalk® or the website may be limited or unavailable during periods of peak demand, market volatility, systems upgrades, maintenance or for other reasons. Transfer requests received prior to 1pm Pacific Time on business days will be initiated at the close of business. Transfer requests received after 1pm Pacific Time on business days, any time on a non-business day, or on days when the market closes early, will be initiated at the close of business the next day. The actual effective date of your transaction may vary depending on the investment option selected.

²Securities offered through the Self-Directed Brokerage (SDB) option are offered by First Trust Corporation, not BenefitsCorp Equities, Inc. For more information about the SDB option including prospectuses on available investment options, please contact First Trust at (800) 863-2393.

Contact Information For Pension Benefit Services

Staff is available Monday through Friday (except Holidays) from 8:00 AM to 5:00 PM to assist you. We changed offices and telephone numbers in early 2002. Please refer to the following directory so that a staff member can address your specific need.

Active Member Services (213) 978-4522

- Annual Member Statements
- Beneficiary Statements
- Contribution Accounts
- Dissolution-of-Marriage Information
- Domestic Partnership Forms
- Service Credit and Bad Time (Lost Service Time) Purchases

Member Communications (213) 978-4523

- Benefit Presentations
- Newsletters
- Pre-retirement Seminars
- Web Page Updates

Medical and Dental Plans (for Pensioners only) (213) 978-4560

- Health Insurance Subsidy
- Dental Insurance Subsidy
- Health Insurance Premium Reimbursement Program

Disability Pensions (213) 978-4500

- Disability Pension Reviews
- Review of Dependent Children and Dependent Parent Qualifications

Service Pensions (213) 978-4575

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

Retired Member Services (for Pensioners only) (213) 978-4495

- Direct Deposit
- Tax Withholding
- Cost-of-Living Adjustments

DROP Administration (213) 978-4568

- Information on the Deferred Retirement Option Program

Other Ways to Contact Us

Fax: (213) 978-4450

TDD: (213) 978-4455

E-mail: pensions@fppen.lacity.org

Website: www.lacity.org/pen

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

Mail Stop: 390

For your convenience, the following forms can be printed from our website: Beneficiary Form, Domestic Partnership Declaration Form, Notice of Termination of Domestic Partnership Form, DROP Beneficiary Form, and Request to Purchase Service Credit Form. ■

Helpful Websites

The Department of Labor and the Office of Management and Budget say that there are 25 new federal benefit programs (and \$34 billion in annual benefit dollars) available at **www.GovBenefits.gov**, a website designed to facilitate the interaction between individuals and government.

There's a new place to go for a wealth of information about Social Security's programs and services: **www.socialsecurity.gov**.

The new address takes you to a redesigned site that is easier to navigate, more attractive and more accessible to all visitors, including people with visual impairments or physical disabilities. This website also includes calculators to assist you in estimating your social security benefits.

Los Angeles Firemen's Relief Association
www.lafra.org

Los Angeles Police Relief Association
www.lapra.org

Los Angeles Police Protective League
www.lapd.net

Deferred Compensation - BenefitsCorp
www.benefitscorp.com/cityofla

United Firefighters of Los Angeles City
www.uflac.org



Getting Ready to Retire?

Prepare for Health and Dental Coverage Before You Retire!

Did you know that when you retire, the administrator of your health and dental plans might change?

PLANS CURRENTLY ADMINISTERED BY AN ASSOCIATION

If you are an active member covered by health and dental plans administered by one of the city-affiliated associations, you may continue membership in the plans by re-enrolling as a retiree.

The following city-affiliated associations administer active and retired health and dental plans:

- Los Angeles Firemen's Relief Association
- Los Angeles Police Protective League
- Los Angeles Police Relief Association
- United Firefighters of Los Angeles City

PLANS CURRENTLY ADMINISTERED BY THE PERSONNEL DEPARTMENT

If you are an active member and your health and dental plans are administered by the City's Personnel Department, be aware that they *will not* administer your health plan and dental plans when you retire.

If you are retiring soon and want to continue health and dental insurance coverage without a break, it is important that you contact any of the above listed associations for information on their plans, any membership requirements and how to enroll. Some of these associations require membership in order to enroll in their health and/or dental plans.

Health and Dental Insurance Coverage:

Los Angeles Police Relief Association (LAPRA)
(888) 252-7721 – www.lapra.org

United Firefighters of Los Angeles City (UFLAC)
(213) 895-4990 – www.uflac.org

Health Insurance Coverage only:

Los Angeles Firemen's Relief Association
(800) 244-3439 – www.lafra.org

Dental Insurance Coverage only:

Police Protective League
(800) 736-7070 – www.lapd.net

Please contact the Medical and Dental Plans Section at (213) 978-4560 or visit the "Benefit Information" page of www.lacity.org/pen for more information or if you have any questions regarding the contents of this article. ■



Interested in attending a pre-retirement seminar?

If you are interested in attending either seminar described on the back cover, please complete this form and mail it to:

Dept. of Fire and Police Pensions, 360 E. Second Street, Suite 400, Los Angeles, CA 90012 (Mail Stop 390).

Print all information. Registrants are selected according to seniority. Details regarding date, time and location are provided at time of selection.

_____ Sign me up for: PLANNING FOR YOUR FUTURE (Less than 10 years of service)

_____ Sign me up for: FINE-TUNING YOUR RETIREMENT PLANS (Within 3 to 5 years of retiring)

Your Name _____

Last 4 Digits of SS # _____

Home Address _____

City/State _____ Zip _____

Home Phone _____ Work Phone _____

Name of Spouse/Domestic Partner _____

Is your spouse/domestic partner an LAPD/LAFD sworn employee? **Yes** or **No**

If yes, are they Active or Retired? (circle one)

___ Check here if you have previously attended an LA Fire and Police Pre-Retirement Planning Seminar

___ Check here if your spouse/domestic partner has previously attended an LA Fire and Police Pre-Retirement Planning Seminar



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

RETURN SERVICE REQUESTED

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The Department of Fire and Police Pensions will soon be selecting a vendor to present pre-retirement planning seminars. We anticipate resuming the seminars in early 2004. Two separate one-day programs are available to choose from.

Planning for your Future

(Targeted for employees with less than 10 years of service)

Fine Tuning Your Retirement Plans

(Targeted for older employees within 3 to 5 years of retiring)

Information will be presented on:

Your Pension (we'll give you an estimate) • Financial Planning • Savings and Investments
Social Security and Medicare • Federal and State Tax Issues • Estate Planning
Lifestyle Adjustments in Retirement.

(These seminars are provided at no charge to sworn members of the Fire and Police Pension System and their spouses/domestic partners.)

See form inside