



LAFPP

pension perspectives

August 2009

Newsletter for Retired Members of Los Angeles Fire and Police Pensions

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General Manager's Message

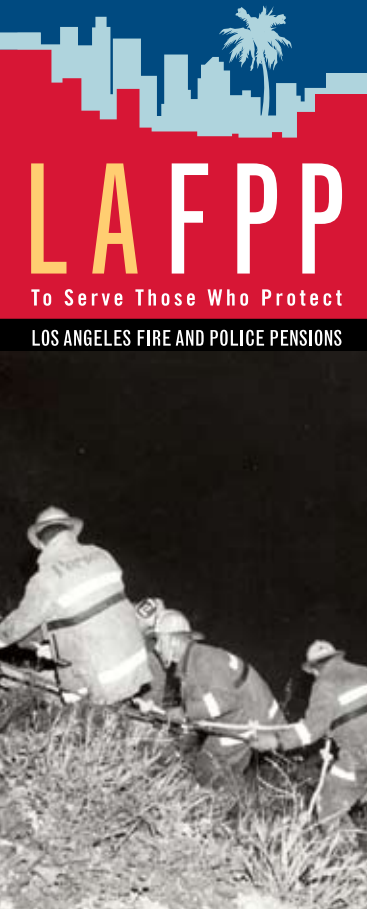
In these times of unprecedented market instability, you can rest assured that you will continue to receive high-quality, dependable service from LAFPP.

As did numerous other public funds across the nation, we sustained significant losses. However, your fund remains strong at \$12.3 billion. In fact, we are among the highest-funded systems in the state and the country, and the best funded of the City's three retirement systems. In addition to investment returns, your fund is supported by City contributions and employee contributions. The City's contribution was approximately \$327 million for Fiscal Year 2008-2009 and \$357 million for Fiscal Year 2009-2010. Active members contributed \$110 million last fiscal year and \$112 million this fiscal year.

The Board of Fire and Police Pension Commissioners experienced significant changes to its membership due to resignations and expired terms. Commissioner George Aliano was elected to his second five-year term as the Retired Police Member. Commissioner Adlai Wertman and Commissioner Dean Hansell were appointed to the Board by the Mayor to serve the unexpired terms of former members. With this Board, LAFPP staff and consultants are carefully reviewing opportunities in the current market environment to maximize our risk-adjusted returns.

On July 23, 2009, the Pension Board approved a historic policy that will require our contractors to disclose information on gifts, campaign contributions, and meetings with Pension Board members, local elected

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officials, and LAFPP staff. Working with staff from the City's Ethics Commission and the City Attorney's Office, LAFPP staff reviewed the policies of pension systems throughout the country to develop a policy for the Pension Board's consideration.

This disclosure policy may be the most comprehensive in the nation and is a strong indicator of our desire to make investments solely in the interests of you, the beneficiaries of this System. A copy of the policy and

the report to Board can be found at www.lafpp.com under "Commission Information."

Whether we are handling your day-to-day inquiries or helping you to realize a successful retirement, our intent is to consistently meet and exceed your expectations. Feel free to contact me if you have any questions.

Michael Perez
General Manager
Michael.Perez@lacity.org

Non-Medicare Health Subsidies

Subsidy Increase for Members

Effective July 1, 2009, the Non-Medicare/Medicare Part B Only Health Subsidy for members increased. The maximum monthly subsidy increased from \$895.81 to \$958.52, 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 last changed in January 2009.

Members who are at least age 55 and had at least 25 years of service qualify for the maximum subsidy of \$958.52. 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 & Dental Benefits Section at (213) 978-4560 or (800) 787-2489, ext 84560#.

You may be eligible for a Non-Medicare Health Insurance Subsidy if you:

- Are enrolled in a City-approved health plan
- Are at least age 55
- Had at least 10 years of service.



Health Insurance Premium Reimbursement Program

The Health Insurance Premium Reimbursement Program (HIPR) is available to members and qualified surviving spouses/ domestic partners who live outside California, or within the state but not within a City-approved medical plan service area. Members who qualify for a health subsidy may receive a reimbursement, up to the maximum monthly health insurance subsidy allowed. Reimbursement will be made on a quarterly basis for health insurance premiums paid by the member for a non-City-approved, state-regulated health plan. Also, effective July 1, 2009, members may also be eligible to receive



reimbursement for Medicare prescription drug coverage (Part D). For more information regarding HIPR, visit LAFPP.com

or contact the Medical & Dental Benefits Section at (213) 978-4560 or (800) 787-2489, ext 84560#.

The Medical & Dental Benefits Section

Is here to help!

Your health and dental premiums are subsidized by Los Angeles Fire and Police Pensions. The Medical & Dental Benefits staff can assist you and your qualified surviving spouse/ domestic partner with the following:

- Administration of the Non-Medicare and Medicare Health Subsidies
- Eligibility requirements
- Calculation of the maximum subsidy

- Determination of out-of-pocket costs
- Health Insurance Premium Reimbursement Program (HIPR)
- Medicare Part B Reimbursements
- Reminders to enroll in Medicare before your 65th birthday
- Verification of year-to-date premium deduction amounts

Information and necessary forms can be found on our Web site at www.lafpp.com or the Medical

& Dental Benefits Section can be reached at (213) 978-4560 or (800) 787-2489, ext. 84560#.

You must call your association if you need information on your health and dental plans or assistance with the following services:

- Increase/decrease in premiums
- Enrolling
- Changing number of dependents
- Questions/issues with your insurance plan (billing, claims, resolutions)



HEALTH/DENTAL PLAN ADMINISTRATORS

Los Angeles Firemen's Relief Association (LAFRA)	815 Colorado Blvd., 4th Floor Los Angeles, CA 90041 (323) 259-5200 or (800) 244-3439 (323) 259-5290 fax www.lafra.org
United Firefighters of Los Angeles City (UFLAC)	1571 Beverly Blvd. Los Angeles, CA 90026 (213) 895-4006 or (213) 250-5678 fax www.uflac.org
Los Angeles Police Relief Association (LAPRA)	600 N. Grand Ave. Los Angeles, CA 90012 (213) 674-3701 or (888) 252-7721 (213) 674-3715 www.lapra.org
Los Angeles Police Protective League (LAPPL)	1308 W. Eighth Street Los Angeles, CA 90017 (213) 251-4554 or (800) 535-2775 (213) 251-4566 www.lapd.com

Cost-of-Living Adjustment 2009

The **Cost-of-Living Adjustment (COLA)** for 2009 is 0.0%. Pensioners in Tiers 1, 2, 3 and 4 will not receive an adjustment this year. However, eligible Tier 5 members, including DROP participants, will receive an increase of up to 3% based on the accumulation of their COLA bank. Tier 5 increases for eligible pensioners effective July 1, 2009 will be reflected in the pension payment dated July 31, 2009.

COLAs for eligible retirees are typically based on the movement in the Consumer Price Index (CPI). However, COLAs across the country can vary because all pension systems do not measure the CPI using the same 12-month period or the same geographic area. For example, one pension system may use the national CPI change for the calendar year ending December while another may use the CPI in a specific metropolitan area for the 12-month period ending June 30.

In accordance with the Charter and the Administrative Code, we use the CPI changes in the Los Angeles-Riverside-Orange County area for all Urban Consumers. We look at the change in the CPI from March 1 of the previous year through the end of February of the current year. To obtain that information call (310) 235-6884, the Bureau of Labor Statistics'

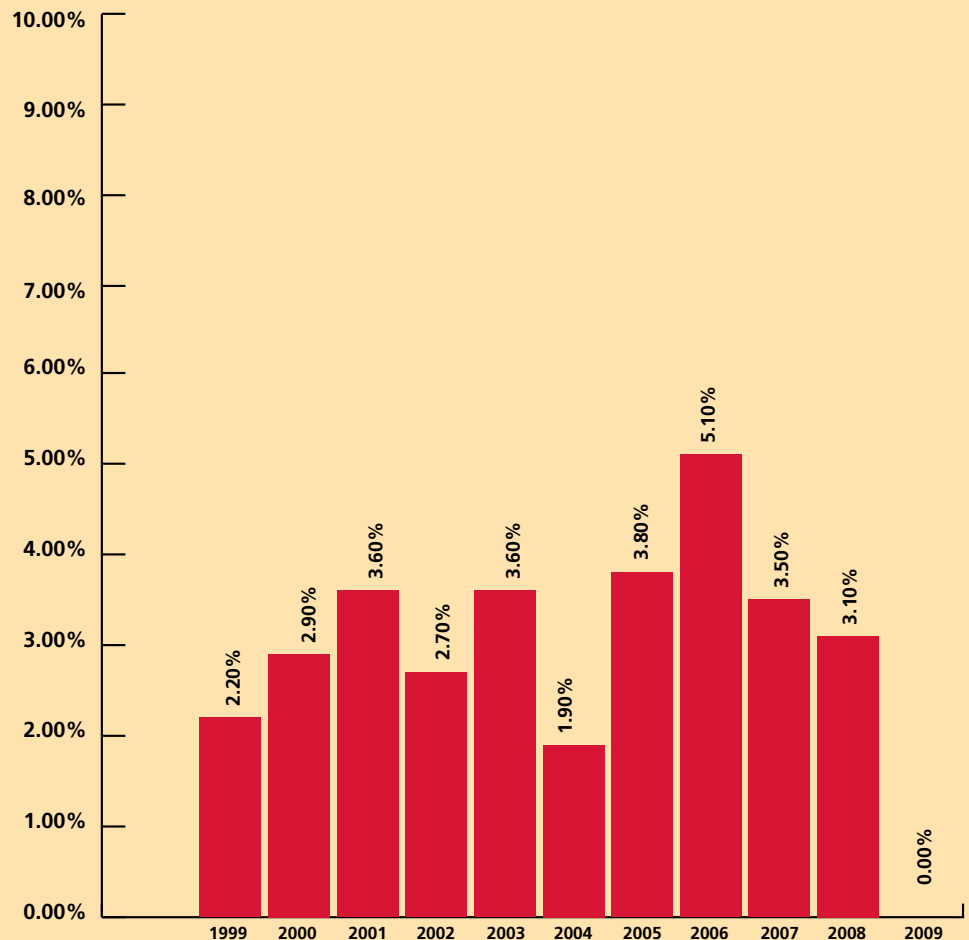
hotline, or check its Web site at www.bls.gov/ro9/pachist.htm.

As a reminder, Tier 2 members have an uncapped COLA. Members of Tiers 3, 4 and 5 can receive a COLA, not to exceed an increase or decrease of 3% per year. Tier 5 members can track their COLA bank balance (by DROP entry date or service pension retirement date) at www.lafpp.com under Plan Details, COLA, 2009 Tier 5 COLA Bank Information (see bottom of page). In no event will COLAs cause your monthly pension to be less than your original pension.



If you have questions regarding the COLA, please call DROP/ Retired Member Services at (213) 978-4495 or (800) 787-2489 ext. 84495#, or email us at pen.pensions@lacity.org.

History of COLA Percentages





2009 Federal Stimulus Package

"Making Work Pay" Tax Credit

Many LAFPP pensioners and beneficiaries received an increase in the net amount of their April 30, 2009 pension payment as a result of the new "Making Work Pay" tax credit – a key provision of the 2009 Federal Stimulus Package.

To implement the tax credit, the Internal Revenue Service (IRS) revised the income tax withholding tables for 2009. Eligible taxpayers had a reduction in the amount of federal income tax withheld, thus providing an increase in their net pay. Although the tax credit only applies to wage and salary income, the IRS instructed that the tables be used to calculate the amount of federal income tax to be withheld from pension payments as well. LAFPP complied with the IRS request.

It is important to note that the "Making Work Pay" tax credit only reduces the amount of federal

income tax withheld and might not reduce the taxpayer's income tax rate. To learn more about the implementation of the new "Making Work Pay" tax credit, visit the IRS Web site at www.irs.gov.

LAFPP pensioners and beneficiaries may also review "How To: Change Your Monthly Income Tax Withholding for Your Pension Payments" under the Retired Members tab on our Web site at www.lafpp.com. We encourage you to consult a professional tax advisor to determine whether you should adjust your tax withholding amount, because you may be subject to tax penalties if you under-withhold. For more information, contact the DROP/Retired Member Services Section at (213) 978-4495 or (800) 787-2489 ext. 84495#.





Disabled Children

Eligibility Requirements Amended on the March 2009 Ballot

In the March 2009 election, the Dependent Child requirements in the LAFPP Plan were amended. The Plan provides Dependent Child benefits to the child of a deceased member who became mentally or physically disabled before turning 21 years of age and is unable to earn a livelihood. Before the recent amendment, the Dependent Child was disqualified if he or she married or was adopted by a person of the same gender as the deceased member. Also, the benefit had to be paid to the Dependent Child's guardian or conservator. Plan provisions were amended as follows:

- **Applicability:** Effective May 1, 2009 and applies to disabled persons receiving Dependent Child benefits under any tier.
- **Elimination of the Marriage Penalty:** No person shall be disqualified as a Dependent Child due to marriage. The provision shall apply to all applications for Dependent Child benefits on or after May 1, 2009. The benefits payable for any Dependent Child who was previously disqualified due to his or her marriage may, on request, be reinstated as of May 1, 2009.
- **Elimination of the Adoption Penalty:** No person shall be disqualified as a Dependent Child because the person was adopted by a person of the same gender as the deceased Plan Member. This provision applies to all established Dependent Children and any future Dependent Children applicants. Any Dependent Child who was previously disqualified due to his or her adoption may, on request, be reinstated as of May 1, 2009.
- **Payment Options for Benefits Belonging to the Dependent Child:** The following payment options, as applicable, shall be available to all tiers for Dependent Child benefits that are the property of the Dependent Child and not the property of any other Qualified Survivor:
 1. On the Dependent Child's request, benefits may be paid directly to the Dependent Child if the Board of Fire and Police Pension Commissioners (Board) determines that the Dependent Child is an adult who is capable of managing his or her own financial affairs.

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2. If it is determined by the Board that the Dependent Child is not capable of managing his or her own financial affairs, benefits that are the property of the Dependent Child will be paid to the guardian or conservator of the Dependent

Child's estate, unless the Board authorizes payment to the trustee of a trust as provided below; or

3. The Board may authorize payment to the trustee of a trust that meets the criteria of 42 U.S.C. Section

1396p(d)(4)(A), (B) or (C), after having determined it is in the best interest of the Dependent Child to do so.

- **Board Authority to Adopt Rules:** The Board is authorized to adopt any rule necessary to implement these changes.

For information on filing a new application for a Dependent Child benefit, please contact the Disability Pension Section at (213) 978-4500 or (800) 787-2489 ext. 84500#. For information on reinstating a Dependent Child benefit, please contact the Service Pension Section at (213) 978-4575 or (800) 787-2489 ext. 84575#.

To Serve You Better...

If you have a Dependent Child, we encourage you to submit copies of any documentation you have that establishes that your child was disabled before the age of 21 and is incapable of earning a livelihood. You may submit 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

You should retain the original documents and store them in a secure place where your family and/or your child's conservator can find them. Please note that the determination as to whether your child qualifies for Dependent Child benefits is not made until your death.

For information on submitting Dependent Child documentation, please contact the Disability Pension Section at (213) 978-4500 or (800) 787-2489 ext. 84500#.



Survivor Benefit Purchase Program

Now Available

The Plan allowed a benefit continuance only if the member married or filed a domestic partnership declaration with either Los Angeles Fire and Police Pensions (LAFPP) or the state of California one year before service retirement or entrance into DROP. In the March 2009 election, voters approved an amendment giving retired members of LAFPP (including members still in DROP) the option to provide a survivor benefit to a spouse or domestic partner:

1. acquired in retirement; or
2. acquired less than one year before entering DROP or retiring on a service pension.

The benefit allowed under this amendment includes a percentage continuation of the Retired Plan Member's monthly pension benefit to the surviving spouse or domestic partner for the survivor's lifetime.

- The survivor must be either a spouse or a domestic partner of the Retired Plan Member at the time he or she elected to provide this benefit and at the time of his or her death.
- The survivor is not eligible for a health subsidy benefit.
- The payment of a survivor benefit provided under this section does not affect the payment of other survivor benefits from the Plan.



General Provisions:

- **Member to Pay Full Cost** – The Retired Plan Member shall pay the full actuarial cost of the survivor benefit through a reduction in his or her monthly pension benefit.
- **Vesting Requirement** – The right to benefits under this program shall not vest until the Retired Plan Member survives at least one year from

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the date he or she makes an election to provide this benefit, unless the Board of Fire and Police Pension Commissioners (Board) determines that the death was accidental.

If the right to benefits did not vest before the retiree dies, the retiree's payments are refunded as a lump sum to the spouse or domestic partner; if the spouse or domestic partner predeceased the member, the lump sum is paid to the member's estate.

- **Only One Election Allowed** – A Retired Plan Member may only make this election once.
- **Irrevocable Election** – Once an election is made, it is irrevocable. The Retired Plan

Member's monthly pension benefits are permanently reduced and will not increase if the spouse or domestic partner predeceases the Retired Plan Member or if their marriage or domestic partnership is terminated.

- **Payment Options** – The Retired Plan Member shall select the percentage of continuance to be purchased from options provided by the Plan.
- **Right to Review, Modify and Terminate the Program** – The City has the right to review, modify or terminate the program to maintain cost neutrality. This right cannot be exercised until the program is operative for at least five

years, and no more than every five years. If the program is modified or terminated, it will not affect members who elected the benefit before the modification or termination effective date.

- **Board's Authority to Adopt Rules and Administer the Program** – The Board shall have the authority to administer the program and adopt any necessary rules.

Staff is currently accepting applications to purchase the survivor's benefit. For more information, please contact the Service Pension Section at (213) 978-4575 or (800) 787-2489 ext. 84575#.

Contact Information

Los Angeles Fire and Police Pensions

Our staff is available to assist you Monday through Friday (except Holidays) from 8:00 am to 5:00 pm. Please refer to the following directory so that the right staff member can address your specific need. When calling in on the toll-free number, use the extension numbers 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

(213) 978-4560 (or 84560#)

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

Disability Pensions

(213) 978-4500 (or 84500#)

- Disability Pension Processing and Inquiries
- Survivor Pensions - Active Members

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

Service Pensions

(213) 978-4575 (or 84575#)

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

Retired Member Services (for Pensioners only)

(213) 978-4495 (or 84495#)

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

DROP Administration

(213) 978-4495 (or 84495#)

- 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:

pen.pensions@lacity.org

Web Site:

www.lafpp.com

Address:

360 E. Second Street, STE 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.

Board of Fire and Police Pension Commissioners

Retired Police Member Reelected

George Aliano was reelected as the Retired Police Member of the Board of Fire and Police Pension Commissioners in a general election held on April 7, 2009. He will serve from July 1, 2009 until June 30, 2014. Congratulations to Commissioner Aliano!

New Commissioners Appointed

Adlai Wertman and Dean Hansell were appointed to the Board by the Mayor to fill vacancies created by recent resignations. Commissioner Wertman will serve the unexpired term ending June 30, 2011, and Commissioner Hansell will serve the unexpired term

ending June 30, 2010. Welcome Commissioners Wertman and Hansell!

If you have questions regarding the Board of Fire and Police Pension Commissioners, please call (213) 978-4456 or (800) 787-2489, ext. 84456#.

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