



Pension Perspectives

DECEMBER 2005 Newsletter for Los Angeles City Fire & Police Retired Members

MEDICARE PART D PRESCRIPTION DRUG COVERAGE – IMPORTANT NOTICE FROM POLICE RELIEF

Submitted by: Cindy King, Los Angeles Police Relief Association

In 2003, the Federal Government voted to expand Medicare coverage to include Pharmacy Coverage known as Medicare Part D. This benefit becomes effective January 1, 2006, and it is very important that you understand how this change will affect you.

As a retired Member of LAPRA, you already have pharmacy benefits provided by LAPRA (through either Blue Cross or Kaiser) that are better than those that will be available through Medicare Part D. The Federal Government wants to encourage plans, such as LAPRA, to continue to provide pharmacy coverage for members and, because the prescription drug coverage under the Blue Cross and Kaiser plans is better than what is available through Medicare Part D, the new Medicare Legislation included a credit for Members in existing group plans. This credit will be used to offset the impact of the change in the retiree subsidy. City Subsidies vary and are determined by retirement date, age and years of service. The net impact will vary depending on these factors.

You should have received important notices from Blue Cross and Kaiser during the month of November. Some of these notices will require that you complete certain documents and return them to us within specific timelines. Please pay close attention to the instructions detailed in these notices. Failure to comply could result in higher premium costs.

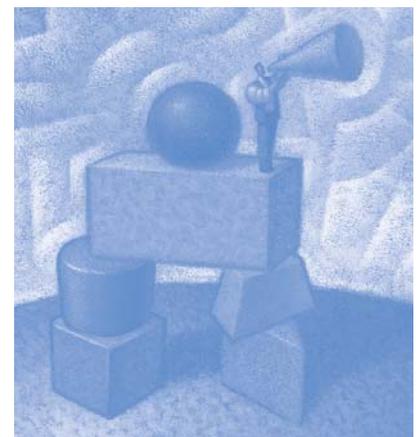
FOR INDIVIDUALS CURRENTLY COVERED BY A LAPRA BLUE CROSS PLAN

You should have received a letter from Blue Cross which included instructions, enrollment forms and a new deduction card. In order to qualify for the Medicare Part D rates, you MUST complete a new enrollment form. If you are enrolled for Medicare Parts A and/or B, a separate form must be filled out by every person that is covered by the LAPRA plan. This means that if you are married, and you and your spouse are both covered by the LAPRA plan, each of you must fill out an enrollment form. Your letter from Blue Cross will include an

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 appropriate number of enrollment forms for you and each of your family members.

YOU MUST HAVE RETURNED ALL ENROLLMENT FORMS AND YOUR DEDUCTION CARD TO LAPRA, NO LATER THAN MONDAY, NOVEMBER 21, 2005. IF YOU HAVE NOT, PLEASE CONTACT LAPRA RIGHT AWAY.

Your enrollment form(s) will be reviewed by LAPRA and forwarded to Blue Cross. Blue Cross must have these forms to prove to the Federal Government that you are enrolled for Medicare Part D through LAPRA and to get credits from Medicare to lower your costs.

Once you send back the enrollment form(s) and deduction card, you will get new separate ID cards, one for your medical plan and one for your pharmacy plan.

If you, or your covered spouse, sign up for Medicare Part D directly with Medicare, or with another plan that you purchase independent of LAPRA, you will be paying money for a benefit

that you already have. In addition, your LAPRA premiums will be higher.

FOR INDIVIDUALS CURRENTLY COVERED BY THE LAPRA KAISER PLAN

If you are currently enrolled in the Kaiser Senior Advantage Plan, this means that you are enrolled in Medicare Parts A and B or Medicare Part B only and you have assigned your benefits to Kaiser. Kaiser will automatically enroll you in its Medicare Part D prescription drug plan. There is no separate enrollment form to complete. If you, or your covered spouse, enroll in another Medicare prescription drug plan (outside of the LAPRA Kaiser plan), you will be dis-enrolled from the Kaiser Senior Advantage Plan and transferred to an unassigned Kaiser benefit category, resulting in higher premiums.

New ID cards will be issued by Kaiser that will replace your current card.

If you are currently enrolled in Kaiser in a Non-Senior Advantage Plan, this means that you have not assigned your benefits to Kaiser and cannot enroll in Medicare Part D. Kaiser will therefore not receive a credit from Medicare for your prescription drug coverage and your premium will remain unchanged. However, your subsidy may be reduced, resulting in an increased out-of-pocket premium to you.

YOUR PRESCRIPTION DRUG BENEFITS PROVIDED BY LAPRA THROUGH BLUE CROSS AND KAISER WILL REMAIN UNCHANGED REGARDLESS OF YOUR MEDICARE PART D ENROLLMENT STATUS.

WHO TO CONTACT IF YOU HAVE QUESTIONS

We recognize that this is an important change for Medicare Participants and LAPRA is available to answer any questions you may have at (888) 252-7721 or (213) 674-3701. If you have questions about your subsidy, please contact the Department of Fire and Police Pensions at (213) 978-4560. ■

IN THE EVENT OF AN EMERGENCY – DIRECT DEPOSIT IS THE WAY TO GO

A major emergency in the Los Angeles area could render the Civic Center areas inaccessible or uninhabitable. Such an emergency could disrupt the City's payroll operations. Emergencies such as Hurricane Katrina could also disrupt mail services in your area. Note that Hurricane Katrina did have such an impact on us. Having direct deposit may be an easier way to have immediate access to your money during an emergency.

Generally, under emergency conditions, retirees enrolled in direct deposit would continue to have their pay deposited into their bank accounts and would have access to their money. Retirees who receive their pension via check will continue to be issued a check. However, if the City Controller does not have access to the check printers or if they are rendered inoperable, retirees paid by check may experience a delay in receiving their check.

If you would like to enroll in Direct Deposit Program, you can print a form from the website at www.lacity.org/pen or contact Retired Member Services at (213) 978-4495. ■

MEDICARE PART D PRESCRIPTION DRUG COVERAGE – IMPORTANT NOTICE FROM FIRE RELIEF

*Submitted by: Barry G. Hedberg,
President, Los Angeles Firemen's
Relief Association*

In 2003, the Federal Government voted to expand Medicare coverage to include Pharmacy coverage known as Medicare Part D, which will become effective January 1, 2006. It is very important that you understand how this change will affect you.

Retired Members of LAFRA already have pharmacy benefits provided by LAFRA's PPO plan and LAFRA's Kaiser HMO plan, that are better than those that will be available through Medicare Part D. The Federal Government wants to encourage plans, such as LAFRA's, to continue to provide pharmacy coverage for members, and because the LAFRA prescription drug coverage is better than what is available through Medicare Part D, the new Medicare Legislation includes a credit for Members in existing group plans. This credit will be used to offset the impact of the change in the retiree subsidy. City Subsidies vary and are determined by retirement date, age and years of service. The net impact on Members will vary, depending upon these factors.

FOR INDIVIDUALS CURRENTLY COVERED BY THE LAFRA PPO PLAN

In order to qualify for the lower Medicare Part D rates, PPO plan Members must maintain their

prescription drug coverage through the LAFRA PPO medical plan. Please also note that each Member must fill out and return to LAFRA, a new Deduction Card.

If a PPO plan Member, or his/her covered spouse, signs up for Medicare Part D directly with Medicare, or with another plan purchased independent of LAFRA, he/she will be paying money for a benefit that he/she already has. In addition, the LAFRA premiums will be higher.

FOR INDIVIDUALS CURRENTLY COVERED BY THE LAFRA KAISER PLAN

For Members currently enrolled in the Kaiser Senior Advantage Plan, this means that they are enrolled in Medicare Parts A and B or Medicare Part B only and have assigned benefits to Kaiser. Kaiser will automatically enroll these Members in its Medicare Part D prescription drug plan. There is no separate enrollment form to complete. If a Kaiser Member, or his/her covered spouse, enrolls in another Medicare prescription drug plan (outside of the LAFRA Kaiser plan), they will be disenrolled from the Kaiser Senior Advantage Plan and transferred to an unassigned Kaiser benefit category, resulting in higher premiums.

New ID cards will be issued by Kaiser that will replace the current card.

For Members currently enrolled in Kaiser in a Non-Senior Advantage Plan, this means that they have not assigned their benefits to Kaiser and cannot enroll in Medicare Part D. Kaiser will therefore not receive a credit from Medicare for their prescription drug coverage and their premium will remain unchanged. However, the subsidy may be reduced, resulting in an increased out-of-pocket premium.

THE PRESCRIPTION DRUG BENEFITS PROVIDED BY LAFRA THROUGH THE LAFRA PPO PLAN AND KAISER HMO PLANS WILL REMAIN UNCHANGED, REGARDLESS OF A MEMBER'S MEDICARE PART D ENROLLMENT STATUS.

WHO TO CONTACT WITH QUESTIONS

LAFRA is available to answer any questions at (213) 380-2900. For questions about subsidy, please contact the Department of Fire and Police Pensions at (213) 978-4560. ■



1099 – R News Flash

It's that time of year again, tax season! The 1099-R for active and terminated pensioners will be mailed by January 31, 2006.

If you do not receive your 1099-R, please allow at least 5 working days from the mailing date before calling for duplicates. To request a duplicate copy or any other related 1099-R inquiries, contact the Accounting Section at (213) 978-4420.

FREQUENTLY ASKED QUESTIONS – 1099-R

Q.I am a pensioner of Tier 3, 4 or 5 and currently receive a service-connected disability pension. Do I get a 1099-R?

A. This answer depends on the disability rating of the service-connected disability pension.

Yes, if your service-connected disability rating percentage is less than the disability pension percentage granted, the difference may be taxable. You will receive a 1099-R for the taxable portion.

No, if your service-connected disability rating percentage exceeded or was equal to the disability pension percentage granted. You will not receive a 1099-R because your pension was not taxable.

Q.I am a Tier 2 member receiving a service-connected disability pension, do I get a 1099-R?

A. No, any Tier 2 service-connected disability pension is not taxable.

Q.I am on a service pension and converted to a service-connected disability pension during the same tax year. I have taxes withheld from my pension. Do I get a 1099-R?

A. Yes, you will receive a 1099-R showing taxes withheld from your pension.

FREQUENTLY ASKED QUESTIONS – 1099-R – DROP PROGRAM

Q.Will I receive a 1099-R if I'm in DROP?

A. You will if you have exited the DROP program.

Q.How many 1099-Rs will I receive?

A. If you were in DROP, you may receive up to three 1099s depending on the election you chose. One for your service pension, one for your rollover distribution and/or one for your lump-sum or partial portion.

Q.How can I determine which 1099-R is for DROP proceeds I received?

A. Check the fund number located to the right of Fire and Police Pension address:

Fund No. 252 (Tier 5 DROP)

Fund No. 282 (Tier 2 DROP)

Q. Do I have to pay both state and federal taxes?

A. Yes, but only if you elected a lump-sum distribution, whether full or partial. California State taxes were withheld if the lump-sum check cash payout was sent to a California address.

Q. What portion of my DROP proceeds (money) is taxable?

A. Only the portion that was disbursed to you as a lump-sum cash payout.

Q.I have moved since I exited the DROP program and have notified the Service Pensions Section, do I have to submit an address change for my DROP distribution 1099-R?

A. Yes, please contact DROP at (213) 978-4568 to request an "address change form."

HOW TO READ YOUR FORM 1099-R

We at Fire and Police Pensions wish to assist you in interpreting the information presented on your 2005 Form 1099-R. This information is intended only to help clarify the form's layout, and is not provided in lieu of the advice or expertise of a qualified tax preparer or official.

Address/Identification Boxes:

PAYER'S name

Fire and Police Pensions mailing address and office telephone number.

PAYER'S federal identification number

Fire and Police Pension's tax identification number with IRS.

Form 1099-R		CORRECTED (if checked)	OMB No. 1545-0119	2005
1 Gross distribution		2a Taxable amount		Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.
2b Taxable amount not determined		Total distribution		
PAYER'S name, street address, city, state, and ZIP code				
PAYER'S Federal identification number			RECIPIENT'S identification number	
3 Capital gain (included in box 2a)	4 Federal income tax withheld	5 Employee contributions or insurance premiums		
6 Net unrealized appreciation in employer's securities	7 Distribution code	IRA/SLP/ SIMPLE	8 Other	%
9a Your percentage of total distribution		9b Total employee contributions		
RECIPIENT'S name and street address (incl. apt. no.), city, state and ZIP code				
Account number (optional)			10 State tax withheld	
11 State/Payer's state no.			12 State distribution	
13 State Taxable Amount	14 Name of locality	15 Local distribution		
Copy C For Recipient's Records (Keep for your records) This information is being furnished to the Internal Revenue Service.			Department of the Treasury Internal Revenue Service	

provided by IRS Publication 939, General Rule for Pensions and Annuities. If the box is blank, none or zero, then the amount you received this year may not be subject to income taxation.

2b-Taxable amount not determined/ Total distribution
Not used by Fire and Police Pensions.

3-Amount in Box 2a eligible for capital gain election
Not applicable.

4-Federal income tax withheld

This is the amount of federal income tax withheld.

5-Employee contributions or insurance premiums
This is the amount of your previously taxed contributions. Since you previously paid tax on this amount, it is subtracted from your gross distribution to determine your 2005 reportable pension benefit amount in Box 2a.

6-Net unrealized appreciation in employer's securities
Not applicable.

7-Distribution code
The following codes identify the type of distribution you received:

- 1- Early distribution or refund, no known exception (less than 59 1/2 years of age)

- 2-Early distribution or refund, exception applies (at least 55 years of age, not subject to 10% additional tax)

- 3-Disability

- 4-Death

- 7-Normal distribution (service retirements and refunds at least 59 1/2 years of age)

- G-Direct rollover and rollover contributions

8-Other
Not applicable.

9a-Your percentage of total distribution
Not used by Fire and Police Pensions.

9b-Total employee contributions
Amount of the account member's previously-taxed contributions remaining. This amount will be reduced each year by the amount of excludable contributions in Box 5.

10-State income tax withheld
This is the amount of California state tax withheld.

11-State/Payer's state number
Fire and Police Pensions tax identification number with California Franchise Tax Board.

12-State distribution
Same as Box number 1.

13-State taxable amount
Same as Box 2a if the recipient is a California resident for the entire tax year; lesser if partly a California and non-California resident. None if non-California resident for the entire tax year.

14&15-Not used by Fire and Police Pensions

RECIPIENT'S identification number

Social Security Number of the person receiving the pension benefits.

RECIPIENT'S name and address

Name and address of person receiving the pension benefits.

ACCOUNT number

Optional (Blank).

Form 1099-R Numbered Boxes:

1-Gross distribution

This is the total amount you received before income tax or other deductions withheld.

2a-Taxable amount

This part of the distribution is generally taxable. This may be less than the gross distribution (Box 1) due to the exclusion of previously taxed contributions (Box 5) as

CONTACT INFORMATION **Department of Fire and Police Pensions**

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

(213) 978-4523 **Communications Section**

- Newsletters
- Web Page Updates

(213) 978-4560 **Medical and Dental Plans**

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

(213) 978-4500 **Disability Pensions**

- Disability Pension Reviews
- Review of dependent children /dependent parent qualifications

(213) 978-4575 **Service Pensions**

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

(213) 978-4495 **Retired Member Services**

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

(213) 978-4568 **DROP Administration**

- Information on the Deferred Retirement Option Program

Other Ways to Contact Us

Fax: (213) 978-4504 or
(213) 978-4450

TDD: (213) 978-4455

E-mail: PENSIONS@FPPEN.LACITY.ORG

Web site: www.lacity.org/pen

For Your Convenience

The following forms can be printed from the website: Change of Address Form (for pensioners), Direct Deposit Form (for pensioners), Domestic Partnership Declaration Form, Health Insurance Premium Reimbursement Claim Form, Notice of Termination of Domestic Partnership Form, and Income Tax Withholding Form (for pensioners). ■

New! Change of Address Form

It's important that you keep your address current with the Department of Fire and Police Pensions. To make it easier, we've included a form in this newsletter (see next page) for you to use now or to keep for a future date. This form will also be available on the website at www.lacity.org/pen under Print Forms. Complete the Change of Address Form and mail it to Department of Fire and Police Pensions, Service Pensions at 360 E. Second St., Suite 400, Los Angeles CA 90012. Please be sure to sign the form before you mail. An original signature is required.

Without a current address on file, your pension check could be delayed or not received at all! For any questions please contact the Service Pensions Section at (213) 978-4575.

Attention DROP Participants: Unless you've terminated your participation in DROP, please send your change of address request to DROP Section, 360 E. Second Street, Suite 400, Los Angeles CA 90012, or fax your request to (213) 978-4450. ■

CHANGE OF ADDRESS **Department of Fire and Police Pensions**

NAME: _____ SOC. SEC. NO. _____ - _____ - _____

PLEASE CHECK ONE:

- Permanent Address Change
- Temporary Address Change Temp. Address Expiration Date: _____

OLD ADDRESS:

STREET ADDRESS: _____

CITY: _____ STATE: _____ ZIP CODE: _____

COUNTRY: _____

CHANGE TO (NEW ADDRESS):

STREET ADDRESS: _____

CITY: _____ STATE: _____ ZIP CODE: _____

COUNTRY: _____

TEL. NO: (____) _____ - _____

EFFECTIVE DATE: _____

SIGNATURE

DATE

RETURN TO: Department of Fire and Police Pensions
Attn: Service Pensions
360 E. Second Street, Suite 400
Los Angeles, CA 90012

For Questions: (213) 978-4575

Detach here and return to the Department of Fire and Police Pensions

RETURN TO ACTIVE DUTY

A New Provision for Retirees

In the March 2005 election, voters approved a ballot measure to allow retirees of Tiers 3, 4 and 5 the option to return to active duty. The Los Angeles City Council then approved an ordinance which outlines the requirements for reactivation which became effective November 16, 2005.

To apply for a return to active duty, you must file a written application with the Chief of the department from which you retired. Your return to active duty is subject to the following conditions:

- Return to the tier from which you originally retired
- Retired on a service pension (not disability pension)
- Retired at rank no higher than Engineer (Fire) or Sergeant (Police)
- Return to a vacant position in the rank held at original retirement

- As of the filing date of the application, you must have been retired less than 3 (three) years and under age 55. However, if your three-year period expired between January 1, 2004 and November 16, 2005, you are eligible to file an application no later than March 31, 2006
- You did not participate in DROP
- You passed a medical examination
- You have certified in writing that you understand the provisions of the Return to Active Duty Section
- Approved by the Appointing Authority of your original employing department
- Approved by the Board of Fire and Police Pension Commissioners

In addition, the following are some of the provisions included in the ordinance:

- Your original pension is terminated as of the effective date of the return to active duty
- You shall resume making pension contributions:
 - Tier 3 or Tier 4: until 30 years of service
 - Tier 5: until 33 years of service
- If you are reactivated you are not eligible to participate in DROP until 3 (three) years following your return to active duty

The ordinance has other provisions that may be important to consider if you wish to return to active duty. We encourage you to call the Department of Fire and Police Pensions prior to making a decision to return to active duty.

A copy of the full ordinance will be posted at Pensions' web site at www.lacity.org/pen. Should you have any questions, please call Member Services at (213) 978-4522. ■

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

RETURN SERVICE REQUESTED

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

