

TIER

6

**Summary Plan Description**

July 2020



LOS ANGELES FIRE AND POLICE PENSIONS  
TO SERVE THOSE WHO PROTECT



# Introduction

## INTRODUCTION

Welcome to the Fire and Police Pension Plan – Tier 6. This is one of several pension tiers provided to the sworn members of the Fire, Police, Harbor and Airport Departments of the City of Los Angeles. The legal text of the Plan is in the City of Los Angeles Charter and Administrative Code.

The provisions of Tier 6 are different from those in other tiers and plans provided to other City sworn employees and civilian employees, so it is important that you know what tier you are in. On page 1, we provide a brief description of Tier 6 eligibility requirements. **If you are not sure which tier you are in, please call Los Angeles Fire and Police Pensions at (213) 279-3140 and we will be happy to assist you.**

This Summary Plan Description (SPD) describes in informal language the provisions and features of Tier 6. It is intended to summarize the plan provisions clearly and concisely to help you understand your benefits. If there is a difference between this SPD and the legal text, the legal text prevails. All references to “you” or “your” in this SPD refer to a Tier 6 member.

This pension plan may be amended at any time to comply with changes in the Internal Revenue Code or other tax laws.

In addition, a wide range of information is posted on our website at [www.lafpp.com](http://www.lafpp.com) to keep both active/retired sworn members and their survivors up-to-date on pension benefits.

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## Type of Plan and Eligibility

### **TYPE OF PLAN – A DEFINED BENEFIT PLAN**

Tier 6 is a “defined benefit” plan that provides pension benefits based on Final Average Salary (any 24 consecutive months of service as a Plan member) and years of service. This Plan provides service, disability, and survivor pension benefits, as well as retiree health and dental insurance subsidies, to eligible sworn members of the City of Los Angeles Departments of Fire, Police, Harbor and Airports, and certain qualified survivors of these members.

While you are employed, both you and the City make contributions to the Plan. The benefits you and your qualified survivors receive do not directly relate to the amount of your contributions.

As a member of Tier 6, you do not contribute to or earn Social Security credit based on your City employment.

### **ELIGIBILITY FOR MEMBERSHIP – TIER 6**

Sworn employees of the Fire, Police and Harbor Departments of the City of Los Angeles hired on or after July 1, 2011, become members of the Fire and Police Pension Plan – Tier 6, upon graduation from the Fire Department Drill Tower or Police Academy. Sworn Peace Officers of the Airport Department hired on or after January 7, 2018, become members of Tier 6 upon graduation from the Police Academy.

- Members originally hired under the provisions of Tiers 2, 3, 4 or 5 who had a break in service due to resignation or discharge and are rehired after July 1, 2011 are members of Tier 6.
- Police personnel from the Department of General Services who transferred to LAPD sworn classifications and who elected to opt out of the Los Angeles City Employees’ Retirement System (LACERS) and become Tier 6 members.
- Sworn Peace Officers of the Airport Department appointed prior to January 7, 2018, who elected to opt out of LACERS and become Tier 6 members.

#### **Exceptions to Membership – Tier 6**

- A person who is a Plan member of another Tier, who is appointed to a different position without a break in service, shall continue to be a member of the Tier to which he or she belonged prior to the new appointment.
- A person hired to a sworn position with the Harbor Department prior to January 8, 2006, who did not elect to transfer to Tier 5 and remained a member of LACERS, shall remain a member of LACERS. A subsequent appointment to a different Harbor

Department sworn position, without a break in Harbor Department service, does not qualify this person for Tier 6 membership.

- A person hired to a sworn position with the Airport Department or an Airport Safety Officer who transitioned to an LAFD Firefighter classification prior to January 7, 2018, who did not elect to transfer to Tier 6 and remained a member of LACERS, shall remain a member of LACERS. A subsequent appointment to a different Airport Department or Fire Department sworn position, without a break in Department service, does not qualify this person for Tier 6 membership.
- A member who retired on a service or disability pension from another Tier and is restored to active duty shall return to the Tier from which he or she retired.



## Contributions to the System

### MEMBER CONTRIBUTIONS

After you graduated from the Fire Department Drill Tower or Police Academy (includes Port Police and Airport Police), LAFPP began deducting 11% pension contributions from your salary each pay period (if you were a prior member, deductions began upon your rehire). Nine percent are regular contributions to the system and an additional 2% pension contribution will support funding of retiree health benefits. The regular pension deduction of 9% ceases once you reach 33 years of service and the 2% portion will cease once you reach 25 years of service. From the inception of the Plan on July 1, 2011, your contributions have been made on a pre-tax basis.

*If you are an Airport Police member who transferred from LACERS, you will pay an 11% pre-tax contribution until June 30, 2026 (when the LACERS Early Retirement Incentive Program – “ERIP” - obligation expires). Thereafter, if you have fewer than 25 years of service, your contribution amount will be 11% (10% pre-tax and 1% after-tax); if you have 25 or more years of service, you will pay a 10% pre-tax contribution. Your pension contributions will continue to be deducted until you retire or exit the Deferred Retirement Option Plan (DROP).*

These deductions are your contributions to the pension plan. Each member's contributions are accounted for individually, and interest is accrued and posted every 6-months (for the sixth-month periods ending June 30 and December 31) while you are an active member.

Your contributions and accrued interest are refundable if you terminate your employment without taking a pension, except for any contributions not previously refundable under a former Tier.

When a pension is paid on your behalf, your contributions are exchanged for lifetime monthly benefits.

### CITY CONTRIBUTIONS

Each year, the City makes a contribution to the Plan to ensure that sufficient funds are available to pay current and future member/survivor benefits. The City contribution varies each year depending on a variety of factors, such as investment fund performance, inflation or changes in mortality experience. The combination of member and City contributions, along with interest and earnings on fund assets pays for your pension benefits.



## Pension Benefits

### SERVICE PENSION

#### ELIGIBILITY FOR A SERVICE PENSION

You are eligible for a service pension if you are at least 50 years of age and you have completed at least 20 years of service.

#### CALCULATING YOUR SERVICE PENSION

The following is the basic formula to calculate your monthly pension amount:

$$\text{Final Average Salary} \times \text{Years of Service Percentage} = \text{Monthly Pension Amount}$$

Your **Final Average Salary (FAS)** is the average of your **monthly** pay at your permanent rank over any 24-consecutive-month period you choose (usually the 24 months just prior to your retirement). You have the option to designate which consecutive 24-month period you want to use to calculate your FAS.

- If you do not make a designation, the 24-month period immediately preceding your retirement, termination or death is used.
- If you have not completed 24 consecutive months, your FAS is based on the monthly average of all consecutive calendar months completed. Unless you completed less than one month of total service as a Plan Member, then the salary actually received shall be used to calculate your FAS.
- If you received less than your full salary due to injury or illness, your FAS is based on the salary you normally would have received.

Final Average Salary includes the following types of compensation you actually received during the designated 24-consecutive-month period wherein you were at permanent rank (i.e., completed probation in that rank):

- **Regular Gross Monthly Pay**
- **Length of Service (longevity) Pay**
- **Special Pay** – additional gross monthly pay for the performance of special, non-hazardous duties (examples of special pay positions: Vice Coordinator and Fire Dispatcher)
- **Assignment Pay** – pay for special or hazardous duties in a higher class, position, grade or code within a rank (examples are Lieutenant II, Captain II and Police Officer III)
- **Hazard Pay** – additional gross monthly pay for the performance of hazardous duties (examples of hazardous duty include Motorcycle Officer and Helicopter Pilot)  
If you are not receiving hazard pay during any or all of the 24-month period used in determining your FAS, but you received it previously, prior hazard pay credit is added in the following manner:

- You receive 10% for each completed year of service in the hazardous assignment, to a maximum of 100% (10 years credit).
- The appropriate percentage is then applied to the hazard pay rate last received.

This provision is applicable to members retiring at a rank not higher than a Captain in the Fire Department or Lieutenant in the Police Department. The total amount of the prior hazard pay credited to your designated FAS may not exceed 100% of the total amount had you been entitled to hazard pay during your designated FAS period.

**Overtime pay for all members and the patrol bonus for Police Officers are not included in your Final Average Salary.**

**Credit for Years of Service**

You are credited with 40% of your Final Average Salary (FAS) at 20 years of service. For each additional year thereafter, you will earn 3% per year for years 21-25; 4% per year for years 26-30 and 5% per year for years 31-33. The maximum percentage of FAS payable is 90% at 33 years of service. (Any partial year of service credit shall be prorated to the last completed payroll period immediately prior to your retirement date.)

| <u>YOS Percentage</u> | <u>YOS Percentage</u> |
|-----------------------|-----------------------|
| 20 yrs = 40%          | 27 yrs = 63%          |
| 21 yrs = 43%          | 28 yrs = 67%          |
| 22 yrs = 46%          | 29 yrs = 71%          |
| 23 yrs = 49%          | 30 yrs = 75%          |
| 24 yrs = 52%          | 31 yrs = 80%          |
| 25 yrs = 55%          | 32 yrs = 85%          |
| 26 yrs = 59%          | 33 yrs = 90% maximum  |

**Years of Service**

Years of service (YOS) credit, calculated by calendar day, is received for periods when a member:

- Received regular pay; or
- Received full IOD (Injured on Duty) pay; or
- Received a service-connected disability pension, if restored to duty under certain circumstances; or
- Served in the military while a member; or
- Was a member of Tier 2, 3, 4 or 5, provided service pension benefits were not received or contributions were not withdrawn.

You do not earn YOS for suspensions or unpaid leaves of absence. This is referred to as “lost service time” or “bad time”.



## PURCHASE OF YEARS OF SERVICE

### Years of Service Credit That Can Be Purchased

- **Prior service as a member of Tier 2, 3 or 5** – provided contributions were previously withdrawn for such service.
- Time when you received temporary disability under state **Workers' Compensation** laws (State Rate).
- **Nonservice-Connected Disability Pension** – time spent on this type of pension can be purchased after returning to active duty, subject to certain restrictions.
- **Military Time** – see Public Service Purchase (PSP) Section.
- **Other Government Time** – federal, state, local or postal service –see PSP Section.
- **Recruit Training Time** – time members spent in the Fire Department Drill Tower or Police Academy (includes Port Police and Airport Police).
  - You may request an estimate for the cost to purchase your service credit through MyLAFPP at [www.lafpp.com](http://www.lafpp.com). This estimate will include two amounts: the contributions you would have made to the pension plan for all pay periods during your recruit training time and the interest that would have accrued on those contributions.
  - Drill Tower or Academy graduates are given a one-year grace period from the date of graduation to pay this amount without interest. If, however, the contributions are paid after the one-year grace period, these graduates are responsible for paying the interest.

### Methods of Purchasing Service:

- Lump sum
- Contract for payroll deductions
- Transfer from the City of Los Angeles Deferred Compensation Plan
- Any combination of the above methods
  - **If you have at least 5 years of service**, purchases may be made either by one lump sum payment, through payroll deduction, transfer from your Deferred Compensation account, or any combination thereof. If you choose to pay through payroll deduction, regardless of when the purchase occurs, a service charge is applied to the entire contribution and interest amount.
  - **If you have fewer than 5 years of service**, purchases may only be made by a transfer of pre-tax funds from your Deferred Compensation account or other pre-tax funding source. To use any after-tax funds, you must first:
    - Transfer all your funds from the City's Pension Savings Plan\* (for Part-time, Seasonal, and Temporary Employees) into your Deferred Compensation account; then
    - Use your Deferred Compensation funds (as a trustee-to-trustee transfer) to purchase your recruit training time.
    - If, after the trustee-to-trustee transfer is made from Deferred Compensation, there is still a balance owed, you may pay the balance using after-tax funds either by one lump sum payment, through payroll deduction, or a combination of both. If you choose to pay through payroll deduction, regardless of when the purchase occurs, a service charge is applied to the entire balance.

*\*While in the Drill Tower or Police Academy from 1994 to the present, you made mandatory contributions to the City's Pension Savings Plan (PSP). Upon graduation, you became a member of LAFPP and your contributions to PSP ceased and your LAFPP contributions commenced. Contact ICMA-RC Investor Services at (800)-669-7400 or visit [www.icmarc.org/laps](http://www.icmarc.org/laps) for the status of your PSP account.*

**All service credit purchases must be completed prior to retirement or entry into the Deferred Retirement Option Plan (DROP) Program.**

If you die before completing the transactions required to purchase service credit, your Qualified Surviving Spouse or Qualified Surviving Domestic Partner may complete your service credit purchase in a lump sum payment.

**PUBLIC SERVICE PURCHASE (PSP) PROGRAM**

The PSP program allows members who served in the military or were employed by other public agencies to purchase service credit. One of the key provisions is that the program must be cost neutral. This means that you are responsible for paying the full cost of increased pension and survivor benefits gained from the additional years of service purchased.

The following are the factors used to determine the cost for each year of service:

**Cost Factors:**

- Your Age
- Date benefits will first become payable
- Number of survivors
- Age(s) of survivor(s)
- Final Average Salary
- Investment earnings rate assumed by the Plan
- Any other factors that are relevant to cost neutrality

**Eligible Service:**

- Full-time service: minimum of six (6) months uninterrupted service
- Maximum of four (4) years
- Military Service: must have been honorably discharged
- Police or Fire Agency: cannot have been terminated for cause

**Restrictions:**

- Purchased service credit will only count toward increasing your monthly pension allowance and any survivorship benefits.
- Purchased service credit will not count toward health subsidy credit or eligibility for a service pension or eligibility to enter DROP. Under very limited circumstances, purchased service will also be applied towards computing the minimum amount of a disability pension.

### **Steps to Purchase:**

1. You may run an estimate through MyLAFPP at [www.lafpp.com](http://www.lafpp.com).
2. If service with a public employer is being purchased, an “Application to Purchase Public Service” is required. If military time is being purchased, an “Application to Purchase Military Service” must be submitted along with a “Form DD-214, Report of Separation”.
3. LAFPP staff will verify the service and calculate the cost of the certified time based on information you provide, such as your expected retirement date, number of survivors, etc. You select the method of payment and process the purchase accordingly.
4. A “true-up” or recalculation of the cost for purchased service will be made prior to the date of your retirement on a service pension or the date you enter DROP.
5. Service time will be added to your record.

### **Methods of Purchasing Service, subject to applicable IRS provisions:**

- Lump sum
- Contract for payroll deductions
- Transfer from the City of Los Angeles Deferred Compensation Plan or another eligible retirement plan within the state of California
- Any combination of the above methods

## **RECIPROCITY WITH OTHER RETIREMENT PLANS**

Tiers 2, 3, 4, 5 and 6 of the Los Angeles Fire and Police Pension Plan do not provide for reciprocity of service credit with LACERS, the Water and Power Employees’ Retirement Plan or any other government agency or municipality.

Please refer to the prior section for information on the Public Service Purchase (PSP) Program if you would like to receive credit for your service with another government agency or the military.

## **COST OF LIVING ADJUSTMENTS (COLA)**

Cost of living adjustments (COLAs) are annual adjustments made to your pension benefit payment to reflect changes in the local Consumer Price Index (CPI) for All Urban Consumers as published by the Bureau of Labor Statistics. It is based on a one-year period ending each February for the Los Angeles-Long Beach-Anaheim area. Your monthly benefit payment is adjusted on July 1 of each year to reflect the change in the cost of living published by the Bureau of Labor Statistics.

For Tier 6 members and their survivors who receive pensions, the annual COLA increase or decrease is capped at 3% per year. A COLA bank stores COLA amounts over the 3% cap. For years in which the COLA is below the 3% cap, the difference between the actual CPI and 3% is deducted from the bank, if available, to bring the allocated COLA as close to 3% as possible.

Upon retirement or DROP entry, your COLA bank begins with zero. Each subsequent year's COLA is applied to your benefit on July 1. When you become a pensioner or enter DROP, the first year's COLA is prorated based on the number of completed months since your pension effective date.

**COLA Bank Example**

Please refer to the table below. If in the year 2021, you are eligible for a full COLA and the CPI is 3.2%, as a Tier 6 member you would receive a 3.0% COLA because there is a 3.0% cap and the 0.2% is banked. If in the following year (2022) the CPI is 3.0%, you would receive a 3.0% COLA and nothing would be added to your bank. If in the next year (2023) the CPI is 2.9%, we would use 0.1% banked from 2021 and apply it to the current COLA amount to bring you up to the 3.0% cap. There would be a remaining 0.1% available in your COLA Bank for future years.

| COLA Year    | CPI  | Retiree COLA | COLA Bank |
|--------------|------|--------------|-----------|
| July 1, 2021 | 3.2% | 3.0%         | 0.2%      |
| July 1, 2022 | 3.0% | 3.0%         | 0.2%      |
| July 1, 2023 | 2.9% | 3.0%         | 0.1%      |

Once every three years, the City Council may grant a Discretionary COLA. The Discretionary COLA cannot exceed one-half of the difference between the CPI and the actual increase granted during the preceding three years. The Discretionary COLA is deducted from the COLA bank.

**Discretionary COLA example:**

| Year  | CPI    | Actual COLA | Difference | Maximum Additional |
|-------|--------|-------------|------------|--------------------|
| 2024  | 5.10%  | 3.00%       | 2.10%      | 1.05%              |
| 2025  | 3.50%  | 3.00%       | 0.50%      | 0.25%              |
| 2026  | 3.10%  | 3.00%       | 0.10%      | 0.05%              |
| Total | 11.70% | 9.00%       | 2.70%      | 1.35%              |

In the event of a negative COLA, your monthly pension will not be reduced to less than your original pension amount.

**APPLYING FOR A SERVICE PENSION**

You begin the process by scheduling an appointment with your department retirement/human resources liaison:

- Fire – (213) 978-3750

- Police – (213) 486-6610
- Port Police – (310) 732-3486
- Airport Police – (424) 646-5900

Your department retirement/human resources liaison will help you select a pension effective date, provide information regarding the payment of unused sick, vacation and overtime balances, prepare your “Letter of Intent to Retire” and arrange an appointment with a retirement counselor at LAFPP. You are required to schedule an appointment with a retirement counselor at LAFPP at least three working days prior to the effective date of your retirement. LAFPP will be able to provide you with the correct service credit on record. When you file your application with LAFPP, you will also be required to submit the signed Letter of Intent to Retire from your employing department and if applicable, the following documents:

- Marriage certificate or certificate of State-registered Domestic Partnership
- Proof of dissolution of prior marriage(s), such as a Final Dissolution of Marriage Decree or Death Certificate
- Birth certificate(s) for Spouse/Domestic Partner and Minor/Dependent Children
- Adoption/legitimization documents for Minor/Dependent Children
- Medical documentation for Dependent Children
- Letter from LAFPP confirming the filing of a Declaration of Domestic Partnership

During your retirement counseling session, you will receive information on tax withholding, direct deposit and voluntary deductions that will affect your monthly pension benefit payments.

Monthly pension benefits are payable on the last business day of each month. Your first pension payment will be processed after your last active pay period has been reflected in the City’s payroll system. In most cases, you can expect your first pension payment approximately 4-6 weeks after your retirement date. However, retirement effective dates closer to the end of the month may delay your pension payment an additional month.

## DEFERRED PENSION

Tier 6 members with 20 or more years of service credit who terminate employment prior to age 50 for any reason other than disability, are eligible for a deferred service pension. To receive this benefit, you must leave your contributions in the Plan and make an irrevocable election within three years of your termination date.

**A deferred pension is calculated in the same manner as a regular service pension using the Tier 3 pension percentages.** Approximately six weeks before your 50th birthday, LAFPP will contact you to begin the pension application process to have your pension approved by the Board of Fire and Police Pension Commissioners immediately following your 50th birthday. After you apply for a deferred pension, it is important that you keep your address and email information updated with LAFPP.

If you die after you terminate employment but before you turn age 50, your qualified survivor(s) will not receive a survivor's pension. Instead, your designated beneficiary will receive a refund of your member contributions plus interest.

**Tier 3 Basic Retirement Formula** (used to calculate the Deferred Pension)

Final Average Salary X Years of Service Percentage = Pension Amount

**Years of Service Percentage Calculation – Deferred Pension**

- 2% per year of service up to 20 years of service, plus
- 3% for each additional year of service up to 30 years of service

|               |                       |
|---------------|-----------------------|
| 20 yrs. = 40% | 26 yrs. = 58%         |
| 21 yrs. = 43% | 27 yrs. = 61%         |
| 22 yrs. = 46% | 28 yrs. = 64%         |
| 23 yrs. = 49% | 29 yrs. = 67%         |
| 24 yrs. = 52% | 30 yrs. = 70%         |
| 25 yrs. = 55% | 30 yrs. or more = 70% |

**DEFERRED RETIREMENT OPTION PLAN (DROP) PROGRAM**

The Deferred Retirement Option Plan (DROP) Program is an enhancement to your Fire and Police Pension Plan that can provide you with another way of saving for your retirement years. It is an optional, voluntary program that allows you to work and receive pay and benefits as an active employee while accumulating service pension payments in a DROP account. You are considered “retired” for purposes of your pension calculation only. For all other purposes, you are considered an active member of your respective department.

**Enrolling in DROP**

You begin the process by obtaining a **Letter of Intent (LOI)** to enroll in DROP. Please contact LAFPP or your Retirement/Human Resources Liaison as instructed below:

| <u>If you work for</u> |   | <u>Then you must contact</u>                         |
|------------------------|---|------------------------------------------------------|
| LAFD and LAPD          | - | LAFPP DROP/Service Pensions at (213) 279-3100        |
| Harbor Police          | - | Retirement/Human Resources Liaison at (310) 732-3484 |
| Airport Police         | - | Retirement/Human Resources Liaison at (424) 646-5900 |

Appointments are required and must be scheduled with LAFPP to process your DROP entry no more than 60 days and no less than 3 days prior to your intended DROP entry effective date.

### **Current Provisions**

- As a Tier 6 member, you may participate in DROP if you have at least 25 years of service and are at least 50 years of age.
- On the day you enter DROP, you must be on active duty/working status (includes light-duty).
- While in DROP, your monthly pension payment is held in an account with a guaranteed interest rate of 5% per annum.
- When you decide to leave the DROP program (after 1 day or up to 5 years maximum – see *Additional Provisions for members who enter DROP on or after February 1, 2019 below*), you are required to terminate sworn employment with the Fire, Police, Harbor or Airport Departments.
- You will then begin to receive your regular pension benefits on a monthly basis. In addition, you will receive your accumulated DROP account balance either in a lump sum or you may rollover all or part of your balance into another tax-qualified account.

### **Additional Provisions for members who enter DROP on or after February 1, 2019:**

- Your participation in DROP will be suspended for any calendar month in which you do not spend at least 112 hours on “active duty” status. You will not receive a DROP deposit for that month.
- If you sustain a serious injury on-duty and are admitted to the hospital for a minimum of 3 consecutive days as a direct result of that injury, your participation will not be suspended during the first 12 calendar months following the date of injury.
- If your participation is suspended, you will be eligible to participate in DROP for a maximum of 30 additional months beyond your original 5-year participation period. The participation period can only be extended for as many months as your participation was suspended.
- No interest accrues on your DROP account following the initial 5-year/60-month participation period, including any periods of participation suspension.

DROP Program provisions are subject to change based on negotiations between the City and the respective employee bargaining units. For more information, please call the DROP/Service Pensions Section at (213) 279-3100.

## **WITHDRAWAL OF CONTRIBUTIONS**

In the event that your employment is terminated, you may request a withdrawal of your contributions and interest immediately upon termination. Or, if you have at least 20 years of service, you may elect to receive a Deferred Pension (discussed previously). With the exception of a Deferred Pension election, your contributions no longer earn interest upon termination.

When you withdraw your contributions, you forfeit your rights to any and all pension benefits, including a disability pension. If you have not elected to receive a Deferred Pension, contributions that are not withdrawn within ten years from the termination date will be forfeited to the Plan. Please contact the Active Member Services Section at (213) 279-3140 to apply for a refund of contributions.





# Disability Pensions

## DISABILITY PENSIONS

### Types of Disability Pensions

Pensions are granted for disabling impairments resulting from injuries or illnesses:

- **Service-Connected Disability Pension – WORK-RELATED**  
Eligibility begins from the date of graduation from Fire or Police (including Port and Airport Police) recruit training.
- **Nonservice-Connected Disability Pension – NONWORK-RELATED**  
Eligibility begins after earning five years of service credit as a member.

### Disability Pension Amounts

Amounts are based on the percentage of disability as determined by the Board of Fire and Police Pension Commissioners.

- **Service-Connected Disability Pension** – 30% to 90% of your Final Average Salary  
  
In no case will your Service-Connected Disability Pension be less than 2% of your Final Average Salary for each year of service credit.
- **Nonservice-Connected Disability Pension** – 30% to 50% of your Final Average Salary

### Tax on Disability Pensions

- **Service-Connected Disability Pensions** generally are not subject to state or federal income tax. However, a portion of this type of pension may be taxable. If the percentage of disability is less than the minimum pension based on years of service credit to which the member is entitled, the difference is subject to taxation.
- **Nonservice-Connected Disability Pensions** are fully taxed as ordinary income.

### Reviews of Disability Status

Disability pensions are normally paid for a member's lifetime. However, the Board has the authority to review your disability status at any time. You may also request that the Board review your disability status. Based on the Board's review, the percentage awarded may remain the same, be increased, decreased, or terminated completely. As a disability retiree, you can be restored to active duty within five years if you are found to be no longer disabled. After five years, if you are found to be no longer disabled, your

pension will be reduced to 30 percent of your Final Average Salary. Please contact the Disability Pensions Section at (213) 279-3165 if you have questions.

### **Return to Active Duty (From a Disability Pension)**

If a member is retired on a disability pension for more than five years from the date of the Board's action granting the pension, the member can never be restored to active duty.

Tier 6 members receiving a Service-Connected Disability Pension who are restored to active duty begin to earn time toward a service pension (for the period that they were receiving a disability pension) after one year back on the job, provided no time is lost due to the disabling condition. If you complete one to three years of service, you receive credit for the time that you were retired on disability, to the extent that the length of service following restoration matches the length of time you received your disability pension. After three years of completed service after restoration, you receive credit for the entire period you were receiving a service-connected disability pension.

Tier 6 members receiving a Nonservice-Connected Disability Pension who are restored to active duty may purchase years of service credit for disability time after completing one year of service. However, special rules apply. Please contact the Active Member Services Section at (213) 279-3140 if you are interested in purchasing this time.

While you are receiving disability pension benefits, you may not receive service pension benefits under this plan.

### **Effect of Workers' Compensation Awards on Disability Pensions**

The existence of impairment or a Workers' Compensation award does not guarantee a disability pension. You may have impairment(s) but not be disabled from performing your duties if your department can accommodate your work restrictions.

**If you retire on any disability pension, you must repay all WORKERS' COMPENSATION awards received during your career, including awards not related to the disability for which you were retired.** Current and future Workers' Compensation payments are deducted from your pension benefit in an amount equivalent to your monthly Workers' Compensation payment. In addition to the above, prior awards are recaptured at a minimum of 25 percent of your monthly pension amount.

### **Disability Pension Application Process**

The disability application process is time consuming. It may take **up to a year or more** from the date of application to final Board determination. The process includes compilation and review of all applicable medical and personnel records, an examination by at least three Plan-approved physicians, and a hearing before the Board. Applications may be withdrawn at any time prior to the Board hearing. You may represent yourself at the hearing or retain representation paid at your own expense. Members who believe they may have incurred a disabling injury or illness should contact the Disability

Pensions Section at (213) 279-3165 for further information or visit [www.lafpp.com](http://www.lafpp.com) to review the FAQs regarding the process.

**Health Subsidy for Disability Pensioners**

If you retire on a disability pension, you must meet all health insurance subsidy requirements in order to qualify for a health subsidy. Please refer to Health Insurance Subsidy Program Section at (pages 30-33) for more information.



# Survivor Benefits

## SURVIVOR BENEFITS

Survivor pension benefits are payable to the following qualified survivors:

### 1. **Qualified Surviving Spouse**

To be “qualified”, a surviving spouse must be legally married to you at the time of your death and in the case of your:

- Service-Connected death while active – *be married on the date of death*
- Nonservice-Connected death while active – *be married at least one year prior to the date of death*
- Death while on a Service Pension – *be married at least one year prior to the effective date of the pension or one year prior to DROP entry*
- Death while on a Service-Connected Disability Pension – *be married as of the effective date of the pension*
- Death while on a Nonservice-Connected Disability Pension – *be married at least one year prior to effective date of the pension*
- Nonservice-Connected death while on Military Leave – *be married on the date of death.*

#### **Benefits**

A Qualified Surviving Spouse is eligible to receive the following benefits:

- Survivor pension benefits – see Survivor Benefits section (pages 16 - 22).
- Health subsidy benefits – see Health Insurance Subsidy for Qualified Survivors section (page 32).

Benefits are paid to the Qualified Surviving Spouse until his/her death.

### 2. **Qualified Surviving Domestic Partner**

To be “qualified,” a Domestic Partner must have a confidential *Declaration of Domestic Partnership* form on file with LAFPP. Additional information is provided in the Domestic Partnership section (see page 18). A Certificate of Registration of Domestic Partnership filed with the Secretary of State will also be accepted. A declaration or certificate must be on file at the time of your death, and in the case of your:

- Service-connected death while active – *be a Declared/Certified Domestic Partner on the date of death*

- Nonservice-Connected death while active – *be a Declared/Certified Domestic Partner at least one year prior to the date of death*
- Death while on a Service Pension – *be a Declared/Certified Domestic Partner at least one year prior to the effective date of the pension or one year prior to DROP entry*
- Death while on a Service-Connected Disability Pension – *be a Declared/Certified Domestic Partner as of the effective date of the pension*
- Death while on a Nonservice-Connected Disability Pension – *be a Declared/Certified Domestic Partner at least one year prior to the effective date of the pension.*
- Nonservice-Connected death while on Military Leave – *be a Declared/Certified Domestic Partner on the date of the death*

### **Benefits**

A Qualified Surviving Domestic Partner is eligible to receive the following benefits:

- Survivor pension benefits – see the Survivor Benefits section (pages 16-22).
- Health subsidy benefits - see the Health Insurance Subsidy for Qualified Survivors section (page 32).

Benefits are paid to the Qualified Surviving Domestic Partner until his/her death.

### **3. Minor Child**

A child or adopted child of a deceased member is considered a “Minor Child” for purposes of receiving a pension benefit until the child reaches age 18 (age 22 if a full-time student) or marries, whichever comes first.

### **Benefits**

Minor children are eligible to receive the following benefits:

- Survivor pension benefits – see Benefits for Children section (page 22).

### **4. Dependent Child**

A "Dependent Child" is the child or adopted child of a deceased member. A Dependent Child must have become mentally or physically disabled prior to age 21 and cannot be capable of earning a living as a result of the disability. A Dependent Child whose disability ends is no longer considered a dependent for pension purposes.

### **Benefits**

Dependent Children are eligible to receive the following benefits:

- Survivor pension benefits – see Benefits for Children section (page 21).

## 5. *Dependent Parent*

A "Dependent Parent" is a parent of a deceased member. A Dependent Parent must have had at least one-half of his/her necessary living expenses paid by the deceased member for one year or more prior to the member's death and be unable to pay necessary living expenses without the pension. This pension is paid until the Dependent Parent can pay his/her own necessary living expenses.

A Dependent Parent is eligible for a benefit only if there is no Qualified Surviving Spouse, Qualified Surviving Domestic Partner, or Qualified Surviving Child(ren) to receive benefits at the time of the member's death.

### **Benefits**

Dependent Parents are eligible to receive the following benefits:

- Survivor pension benefits – see Benefits for Dependent Parents section (page 22).

## **DOMESTIC PARTNERSHIP**

A domestic partnership is established when both partners file a *Declaration of Domestic Partnership* form with LAFPP, provided all requirements listed below are met.

### **Establishing a Domestic Partnership (with LAFPP)**

The active member must file a *Declaration of Domestic Partnership* with LAFPP by completing the required form. In addition, the domestic partners must meet all of the following requirements:

- Not be married or a member of another domestic partnership
- Not be related by blood
- Be at least 18 years of age or obtain a court order granting permission to the underage person to enter into a domestic partnership
- Be of the same or opposite sex
- Be capable of consenting to the domestic partnership

Filing your domestic partnership with the City's Personnel Department does not qualify a domestic partner for survivorship benefits with LAFPP. You must file a *Declaration of Domestic Partnership* form with LAFPP. You may, however, submit along with the form a request in writing to adjust the effective date of your domestic partnership to the date you filed with Personnel Department. The request will be reviewed by the City Attorney and General Manager.

To request a *Declaration of Domestic Partnership* form or for questions about adjusting the effective date of your domestic partnership please call Active Member Services at (213) 279-3140. You may also print the *Declaration of Domestic Partnership* form from our website at [www.lafpp.com](http://www.lafpp.com).

## Terminating a Domestic Partnership (with LAFPP)

A domestic partnership automatically terminates when any one of the following occurs:

- One partner gives or sends to the other partner a written notice by certified mail that he/she is terminating the partnership
- One of the domestic partners dies
- One of the domestic partners marries

Upon termination of the domestic partnership, one of the domestic partners must file a *Notice of Termination of Domestic Partnership* form with LAFPP.

To request a *Notice of Termination of Domestic Partnership* form, please call the Active Member Services Section at (213) 279-3140 or you may print one from our website at [www.lafpp.com](http://www.lafpp.com).

## Filing a New Domestic Partnership After Terminating a Previous One

A new *Declaration of Domestic Partnership* cannot be filed with LAFPP within six months from the date that a *Notice of Termination of Domestic Partnership* was filed with LAFPP. This six-month waiting period does not apply if the prior domestic partnership was terminated because of a partner's death or marriage.

## Plan Recognition of State-Registered Domestic Partnerships

The Plan also recognizes State-Registered Domestic Partnerships (SRDP) and will honor the date established with the State to meet the eligibility requirements for Plan benefits. The SRDP is a partnership that is established when persons who meet the State's eligibility criteria register as domestic partners with the State of California. This partnership is governed by State law and establishes a relationship in which, for most purposes, the domestic partners have the same rights as spouses, including community property rights. This partnership establishes community property interests in your contributions and other pension benefits as provided by State law. This type of partnership may only be terminated as provided by State law. For information on filing with the Secretary of State, please visit [www.sos.ca.gov/dpreistry](http://www.sos.ca.gov/dpreistry).

# SURVIVOR BENEFITS

## SURVIVOR BENEFITS – ACTIVE MEMBER DEATH

1. **Service-Connected Death:** Upon LAFPP Board approval, your Qualified Surviving Spouse or Qualified Surviving Domestic Partner receives a monthly pension benefit of 80% of your Final Average Salary with a 3% COLA cap and a COLA bank.
2. **Nonservice-Connected Death with less than five years of service:**

### Basic Death Benefit

Your designated beneficiary is entitled to a refund of your pension contributions and accrued interest.

If you have at least one year of service, your survivors: 1) Qualified Surviving Spouse; or 2) Qualified Surviving Domestic Partner; or 3) Qualified Minor and/or Dependent Children (if no qualified spouse/domestic partner); or 4) Dependent Parents (if no other qualified survivors), are entitled to the following:

A limited taxable monthly pension based on your Final Average Salary (FAS) multiplied by your completed years of service (YOS), up to six YOS. This pension is payable in monthly installments of 50% of the FAS, not to exceed 12 monthly payments.

If there are no qualified survivors, only a refund of contributions plus interest will be paid to your designated beneficiary. In the absence of a designated beneficiary, the refund of contributions is paid to your survivor(s) in the following order of succession: (1) surviving spouse or State-Registered Domestic Partner, (2) children, (3) parents. If there is a distribution of contributions and there is a spouse or former spouse(s) with a community property interest in the contributions, the community property portion is paid to whomever is entitled to it.

**3. Nonservice-Connected Death with five or more years of service:**

Your Qualified Surviving Spouse or Qualified Surviving Domestic Partner receives a monthly benefit of 50% of your Final Average Salary with a 3% COLA cap and a COLA bank.

**4. Nonservice-Connected Death while on Military Leave:**

Your Qualified Surviving Spouse or Qualified Surviving Domestic Partner receives a monthly benefit of 50% of your Final Average Salary with a 3% COLA cap and a COLA bank.

**Any survivor who is entitled to benefits outlined in number 1 – 4 above can elect the Basic Death Benefit described above, so long as the election is made before the first pension payment is made.**

**SURVIVOR BENEFITS – RETIRED MEMBER DEATH**

**1. Death while retired on a Service Pension:**

Your Qualified Surviving Spouse or Qualified Surviving Domestic Partner receives a monthly pension benefit equal to 70% of your total pension benefit at the time of your death, with a 3% COLA cap and a COLA bank.



## 2. Death while retired on a Service-Connected Disability Pension:

Your Qualified Surviving Spouse or Qualified Surviving Domestic Partner receives a monthly pension benefit equal to 80% of your total pension benefit at the time of your death; or

If you die within three years of the effective date of your service-connected disability pension and your death is due to service-connected causes, your Qualified Surviving Spouse or Qualified Surviving Domestic Partner receives a monthly pension benefit equal to 80% of your Final Average Salary, plus any COLAs applied since retirement.

A 3% COLA cap and a COLA bank are applied to either pension benefit.

## 3. Death while retired on a Nonservice-Connected Disability Pension:

Your Qualified Surviving Spouse or Qualified Surviving Domestic Partner receives a monthly benefit equal to 70% of your total pension benefit at the time of your death, with a 3% COLA cap and COLA bank.

## SURVIVOR BENEFITS – OTHER QUALIFIED SURVIVORS

### Benefits for Children

If you have Minor or Dependent Children at the time of your death in addition to a Qualified Surviving Spouse or Qualified Surviving Domestic Partner, additional benefits will be paid on behalf of your Minor or Dependent Children, except when your survivor elects the Basic Death Benefit (see page 16). Additional benefits for children are as follows:

- **One Minor or Dependent Child:** receives an amount equal to 25% of the benefit\* your Qualified Surviving Spouse or Qualified Surviving Domestic Partner receives.
- **Two Minor or Dependent Children:** receives an amount equal to 40% of the benefit\* your Qualified Surviving Spouse or Qualified Surviving Domestic Partner receives.
- **Three or more Minor or Dependent Children:** receives an amount equal to 50% of the benefit\* your Qualified Surviving Spouse or Qualified Surviving Domestic Partner receives.

\*The percentage will be based on the benefit unmodified by the Optional Survivor Benefit Allowance (see page 22).

If you have two or more Minor Children, the benefit percentage will decrease accordingly as each child reaches the age of 18 (age 22 if a full-time student) or marries, whichever comes first. Dependent Children will continue to receive a pension regardless of age unless their disability ends.

If the Minor or Dependent Children are the children of the Qualified Surviving Spouse or Qualified Surviving Domestic Partner (Qualified Survivor), the additional benefits are paid to, and are the property of, the Qualified Survivor, not the children. If the Minor or

Dependent Children are not the children of the Qualified Survivor, the additional benefits are paid to the court appointed legal guardian(s) of the Minor or Dependent Children. However, the Board may authorize payment that is the property of the Dependent Child be paid directly to the Dependent Child, the Guardian or Conservator of the Dependent Child's Estate, or the trustee of the Dependent Child's Special Needs Trust (if it meets the criteria of 42 U.S.C. Section 1396p(d)(4)(A), (B) or (C).

The total survivor benefit may not exceed 100% of the member's Final Average Salary or 100% of the retired member's COLA-adjusted Final Average Salary.

### **Benefits for Children When There Is No Qualified Surviving Spouse or Qualified Surviving Domestic Partner**

If you die leaving no Qualified Surviving Spouse or Qualified Surviving Domestic Partner, but you have Minor or Dependent Child(ren), the Minor/Dependent Child(ren) receive a monthly pension benefit equal to that which your Spouse or Domestic Partner would have received (unmodified by the Optional Survivor Benefit) for as long as the Minor/Dependent Child(ren) remains qualified. This amount is divided equally among the eligible children.

Benefits paid on behalf of Minor/Dependent Children are paid to the court appointed legal guardian(s). However, the Board may authorize payment that is the property of the Dependent Child be paid directly to the Dependent Child, the Guardian or Conservator of the Dependent Child's Estate, or the Trustee of the Dependent Child's Special Needs Trust (if it meets the criteria of 42 U.S.C. Section 1396p(d)(4)(A), (B) or (C).

### **Benefits for Dependent Parents**

If you die leaving no Qualified Surviving Spouse, Qualified Surviving Domestic Partner, or Qualified Minor/Dependent Child(ren) but you have at least one Qualified Dependent Parent, the Dependent Parent will receive the same monthly pension benefit (unmodified by the Optional Survivor Benefit) that the Qualified Surviving Spouse or Qualified Surviving Domestic Partner would have received for as long as the Dependent Parent remains qualified.

## **OPTIONAL SURVIVOR BENEFIT ALLOWANCES**

### **OPTIONAL SURVIVOR BENEFIT**

When you retire on a service or disability pension, you have the option to provide your Qualified Surviving Spouse or Qualified Surviving Domestic Partner with a survivor benefit greater than the standard survivor continuance. You may elect a continuance benefit for your Qualified Surviving Spouse or Qualified Surviving Domestic Partner up to 100% of your pension, in 5% increments.

If you choose one of these options, your pension benefit payment is reduced throughout your lifetime to pay for the increased survivor benefit. The size of the reduction is based on the ages of you and your Qualified Surviving Spouse or Qualified Surviving Domestic

Partner and on the current actuarial assumptions adopted by the Board at the time you retire.

This option is **irrevocable**. You must elect it before you receive your first pension payment or enter the DROP Program. The reduction remains in effect even if your marriage or domestic partnership dissolves or your spouse or domestic partner predeceases you. However, any additional pensions for other Qualified Survivors will be calculated based on the unmodified/standard survivor continuance amount.

For more information, please call the DROP/Service Pensions Section at (213) 279-3100.

### **SURVIVOR BENEFIT PURCHASE PROGRAM**

If you marry or enter into a domestic partnership after you have retired, or your spouse or domestic partner does not otherwise meet the survivor qualifications listed on page 16, you have the option to provide a survivor benefit to that spouse or domestic partner. The Survivor Benefit Purchase Program provides a percentage continuation of your monthly pension benefit payable to your surviving spouse or domestic partner for his/her lifetime. The survivor must be your spouse or domestic partner at the time you elect to provide this benefit and at the time of your death. The following provisions apply:

- You must pay the full actuarial cost of the survivor benefit through a reduction in your monthly pension benefit.
- The right to benefits under this program does not vest until you survive at least one year from the date you elected to provide this benefit, unless your death is determined to be accidental by the Board. If the right to benefits has not vested before you die, payments are refunded as a lump sum to your spouse or domestic partner. If your spouse or domestic partner has predeceased you, the lump sum is paid to your estate.
- This election may only be exercised once.
- **Once an election is made, it is irrevocable.** Your monthly pension benefits will be permanently reduced and will not be restored if your spouse or domestic partner predeceases you or if your marriage or domestic partnership is dissolved.
- Your survivor is not eligible for health subsidy benefits.

For more information, please call the Retirement Services Section at (213) 279-3125.



## Other Important Information

### DESIGNATING A BENEFICIARY

As noted earlier in this plan summary, there are situations which may warrant a refund of your member contributions. If there is to be a refund of your contributions, LAFPP uses the Beneficiary Designation form to determine the beneficiary or beneficiaries entitled to receive your contributions and interest earned.

In the absence of a designated beneficiary, contributions, if payable, are made to your living survivor(s) in the following order of succession: (1) surviving spouse or State-Registered Domestic Partner, (2) children, (3) parents. If there are no designated beneficiaries or survivors, contributions, if payable, are paid to the executor or administrator of your estate, or any other person legally authorized to collect money due to the decedent. If your contributions must be distributed and there is a spouse or former spouse(s) with a community property interest in the contributions, the community property portion is paid to whomever is entitled to it.

If your total estate (including your pension contributions and accrued interest) is greater than \$150,000, then the funds will not be released to the living survivor or executor until probate is completed. Please note that a probate case can take over 18 months to complete.

It is very important that you take the time to designate one or more beneficiaries so that in the event of your death, your contributions and interest are paid to the person(s) of your choice and the refund will not be delayed by probate, regardless of your estate's value. You should review your beneficiary designations periodically and update them as needed to reflect any desired changes. To view your designated beneficiaries, login to your member portal at [www.lafpp.com/mylafpp](http://www.lafpp.com/mylafpp).

The *Designation of Beneficiary* form may be obtained by contacting the Active Member Services Section at (213) 279-3140 or you may print one from our website at [www.lafpp.com](http://www.lafpp.com).

### DEPENDENT CHILD DOCUMENTATION

A "Dependent Child" is a child, or adopted child, of a deceased member who, before turning age 21, became mentally or physically disabled from earning a living. (Survivor benefits for Dependent Children are discussed in previous sections.) A Dependent Child whose disability ends is no longer considered dependent for pension purposes.

If you have a Dependent Child, we encourage you to submit copies of any documentation that you may have that declares your child as disabled. Eligibility for

Dependent Child benefits is determined following a member's death and relies in great part on the availability of documentation that declares the child as: **1) disabled prior to the age of 21, and 2) incapable of earning a livelihood.** To determine eligibility LAFPP will request the following documentation:

- Your written request for the child to be granted Dependent Child status
- Birth Certificate
- Marriage Certificate (if applicable)
- Dissolution Decree (if applicable)
- Guardianship/Conservatorship papers (if applicable)

Other helpful documentation includes:

- Medical records
- School records
- Social Security benefits
- Assisted living or institutionalization records

**We encourage you to submit copies of any such documentation as early as possible, as it may be difficult to obtain copies of this documentation later.** Copies should be submitted by mail or in-person to:

Los Angeles Fire and Police Pensions  
ATTN: Disability Pensions Section  
701 East 3<sup>rd</sup> Street, Suite 200  
Los Angeles, CA 90013

A letter confirming our receipt of your documentation is usually mailed within 5 business days.

For questions regarding Dependent Child eligibility, please contact the Disability Pensions Section at (213) 279-3165.

## REAPPOINTMENTS

If you were a Tier 2, 3, 4 or 5 Plan member who resigned or was discharged, had a break in service, and was subsequently rehired after July 1, 2011, you became a Tier 6 member upon reappointment.

## CITY EMPLOYMENT AFTER RETIREMENT

### CITY EMPLOYMENT IN A CIVILIAN POSITION

As a retired member, you may be employed by the City in a civilian position and become a member of the Los Angeles City Employees' Retirement System (LACERS) or Water and Power Employees' Retirement Plan. Please review the "Re-Employment After Retirement and Tax Implications" section below for important related details.

## RECALL AFTER RETIREMENT

Tier 6 service retirees, including those who retire from DROP, may be recalled for a temporary assignment of up to 90 days without loss of pension benefits. Additional provisions only allow Tier 6 Police retirees to be recalled up to 12 consecutive months. Please review the “Re-Employment After Retirement and Tax Implications” section below for important related details.

You receive regular pay plus any length-of-service pay from prior to your retirement effective date. No contributions are deducted from your pay and you continue to receive your pension benefits. If you die, your survivor receives the benefits to which you were entitled when you retired. The recalled member is subject to all provisions of the Recall to Active Duty ordinance.

## RE-EMPLOYMENT AFTER RETIREMENT AND TAX IMPLICATIONS

Before you retire or exit DROP, there cannot be any prearrangement for you to return to work for the City of Los Angeles at a later date. You must advise LAFPP if you return to work for the City less than 90 days after your retirement/DROP exit date.

If you have a prearrangement to return to work for the City of Los Angeles as either a sworn or civilian employee, your LAFPP pension benefits may be subject to a 10% early distribution penalty mandated under federal tax laws until you reach age 59 ½.

## COMPENSATION LIMITS

Federal tax laws set limits on the amount of benefits you can receive from a qualified governmental pension plan such as LAFPP (Section 415(b) of the Internal Revenue Code).

In addition, the Final Average Salary used to determine the benefits provided by Tier 6 will be subject to the limitations outlined in Section 401(a)(17) of the Internal Revenue Code.

These limits may affect certain highly compensated employees, certain members receiving disability benefits, and certain survivor pensions.

## TAXES

Pension benefit payments are subject to federal income tax. However, any part of your pension payment that is based on after-tax contributions may not be taxed when you receive it.

Tier 6 mandatory member contributions are made on a “pre-tax” basis. This means your contributions are deducted from your paycheck before income tax withholding was calculated. These amounts are “tax-free” when you contribute them. Therefore, the pension benefits provided by these contributions are taxable when you receive them during retirement. Federal income tax is withheld from these pension payments unless you instruct LAFPP otherwise.

You may have contributed to the Plan on both an after-tax and pre-tax basis. “Basis recovery” is the process by which your after-tax employee pension contributions are returned to you, free of Federal and State taxes, as part of your pension benefits. If you are entitled to basis recovery, a portion of each pension payment will be tax-free. The exact amount of each payment that is tax-free is determined using the “Simplified Method,” which is discussed below. The balance of each pension payment will be taxable as ordinary income in the year received. Once your after-tax contributions have been fully recovered, the entire amount of all subsequent pension payments will be taxable as ordinary income.

### **DROP Account Funds**

The Internal Revenue Code includes a provision that allows DROP members to recover a portion of their eligible after-tax contributions using an accelerated basis recovery method. This method allows you to take a lump sum distribution of any eligible after-tax DROP funds, rather than recovering it in monthly payments over your lifetime through the Simplified Method (explained below).

When you exit DROP, you must complete the DROP Distribution Election Request form within 90 days of your DROP exit date to instruct LAFPP how you wish to receive your DROP account balance. After 90 days, the distribution of your DROP account will be limited to a lump sum cash payment only, subject to mandatory 20% Federal tax withholding for the entire account balance.

### **Simplified Method**

For pensions effective on or after January 1, 1998, LAFPP uses the “Simplified Method” to determine the amount of your ongoing monthly pension benefit that is taxable vs. the amount that is tax-free. The Simplified Method is a formula provided by the IRS for calculating these amounts. The tax-free portion is determined according to the amount of your after-tax contributions at retirement and your age (plus the age of your Qualified Surviving Spouse/Qualified Domestic Partner, if applicable) when you begin to receive pension benefits.

The formula determines the amount of your pension that will not be taxed and the length of time for that exclusion. By subtracting the tax-free amount from your gross pension for a fixed number of months, your already-taxed contributions will be recovered. Cost of living adjustment (COLA) pension increases will not change or have any effect on the tax-free amount since the calculation is based upon your total after-tax contributions at retirement.

Note: This pension plan may be amended at any time to comply with changes in the Internal Revenue Code or tax laws.

### **Other Tax Information**

State tax laws vary. As of January 1996, pensioners who are not residents of California are not subject to California taxes on any type of pension.

If you terminate employment before retirement and receive a refund of contributions, any portion that is refunded to you that was not previously taxed (i.e., pre-tax contributions or interest income) is subject to federal and state income taxes for the year in which you receive it. In addition, if those same non-taxed funds are withdrawn prior to age 50, they are subject to a tax penalty of 10% to the federal government and 2½% to the state of California. To postpone the income tax and avoid any tax penalties at the time of withdrawal, you may roll over the entire amount of the non-taxed portion of the contributions and interest into an individual retirement account (IRA) or another tax-qualified plan.

For information on taxation of disability pensions, please see page 13.

Note: This pension plan may be amended at any time to comply with changes in the Internal Revenue Code or other tax laws.

If you have any questions, please call the Retirement Services Section at (213) 279-3125 or (844) 88-LAFPP (52377).

### **No Coverage Under Social Security**

As a member of the Plan, you neither contribute to nor receive credit for the federal Old Age Survivors and Disability Insurance Program (Social Security) based on your City employment. However, members hired after March 1986 pay the 1.45% Medicare tax.



## DISSOLUTION OF MARRIAGE OR STATE-REGISTERED DOMESTIC PARTNERSHIP

Pension benefits and pension contributions are considered assets according to community property laws and they may be subject to division upon dissolution of your marriage or state-registered domestic partnership. If LAFPP is “joined” in your dissolution proceeding, LAFPP will be bound by the court order and may be required to distribute a former spouse or partner’s community property share of your pension benefits.

If you remarry or enter into another domestic partnership and subsequently die leaving a Qualified Survivor, a portion of the survivor pension may, under the terms of a previous court order, be payable to a former spouse and/or partner.

In California, when a former spouse or partner who has been awarded a portion of the member’s benefits by the court predeceases the retired member, the former spouse or partner’s share passes to his or her designated beneficiary or beneficiaries or to his or her estate, unless the court order provides otherwise.



# Retiree Health Insurance Subsidy Programs

## HEALTH INSURANCE SUBSIDY PROGRAMS

The Plan provides a few different subsidies for members and one subsidy for Qualified Surviving Spouses/Domestic Partners. The following sections have information on:

- Health Insurance Subsidy for Members
- Health Insurance Subsidy for Qualified Surviving Spouses/Domestic Partners
- Health Insurance Premium Reimbursement (HIPR) Program
- Dental Insurance Subsidy for Members

## HEALTH INSURANCE SUBSIDY FOR MEMBERS

As a retired member, you may be eligible for a health insurance subsidy. LAFPP provides a subsidy that may be applied towards premiums for health plans offered by:

- Los Angeles Police Relief Association (LAPRA);
- Los Angeles Firemen's Relief Association (LAFRA);
- United Firefighters of Los Angeles City (UFLAC); or
- Any State or Federally regulated health plan through the HIPR Program.

A subsidy is applied to the premium of the approved health plan that you select. It can be applied to an approved health plan that covers your spouse or domestic partner, as well as other dependents. The retiree payroll system automatically calculates the subsidy and/or deduction and reflects it in your monthly pension payment.

If your health plan premium exceeds your maximum subsidy, a monthly deduction will be taken from your pension check to pay for the remaining premium cost. If the premium is less than the subsidy, you are not entitled to the balance. LAFPP only subsidizes up to the amount of the premium.

### Eligibility Requirements

Effective July 1, 1998, the retired member must meet the following requirements to be eligible for a health subsidy:

- Be at least 55 years of age; and
- Have at least 10 YOS; and
- Be enrolled in a Board-approved health plan (offered by LAFRA, LAPRA, UFLAC).

## Subsidy Amounts

Retired members ages 55 to 64, and ages 65 and over if enrolled in Medicare Part B only, are allowed 4% of the maximum subsidy for each whole year of service (YOS) up to 25 years. At 25 years of service you are eligible for the maximum subsidy, which is effective July 1 of every year.

### Example:

- On July 1, the approved maximum subsidy is \$1,500 per month.

**If you retired with 22 YOS**, your subsidy entitlement would be \$1,320  
(22 YOS x 4% x \$1,500 = \$1,320)

**If you retired with 25 YOS**, you would be entitled to the maximum subsidy of \$1,500

The actual approved subsidy amount for the current year can be found on our website under *Retired Plan Details*.

## Medicare Subsidy

At age 65, you are required to enroll in Medicare to the full extent of your entitlement to continue receiving your health subsidy.

- If you are eligible for both Part A and Part B of Medicare, your subsidy will be recalculated due to the change in monthly premium costs and you will be reimbursed for the cost of the Part B basic premium.
- If you qualify for Part B only, your subsidy will remain unchanged and you must pay for the cost of Part B (NOTE: You will not be reimbursed for the cost of the Part B basic premium.)

Any lifetime medical care related to Workers' Compensation awards is administered by the City's Personnel Department.

## Enrollment Information

If you are near retirement and would like additional information on enrolling in a Board-approved health plan, you may contact the following organizations:

|                                          |                |
|------------------------------------------|----------------|
| Los Angeles Firemen's Relief Association | (800) 244-3439 |
| Los Angeles Police Relief Association    | (888) 252-7721 |
| United Firefighters of Los Angeles City  | (213) 895-4006 |

## Health Insurance Subsidy for Qualified Surviving Spouses and Qualified Surviving Domestic Partners

Your Qualified Surviving Spouse/Qualified Surviving Domestic Partner is eligible to receive a health subsidy if all of the following conditions are met:

1. You had at least 10 years of service;
2. At the time of your death, you were receiving a health subsidy or if you died prior to receiving a health subsidy, you would be eligible to receive a health subsidy if alive today; and
3. Your Qualified Surviving Spouse/Qualified Surviving Domestic Partner must be enrolled in a Board-approved health plan (offered by LAFRA, LAPRA, UFLAC).

Once your dependent turns age 65, he or she must enroll in Medicare to the full extent of his/her eligibility to continue to receive a health subsidy. If the Qualified Surviving Spouse or Qualified Surviving Domestic Partner:

- *Is eligible for both Part A and Part B of Medicare*, LAFPP will reimburse the cost of the Part B basic premium.
- *Qualifies for Part B only*, the subsidy formula will remain unchanged and he/she must pay for the cost of Part B and will not be reimbursed for the cost of the Part B basic premium.

Enrolling in Medicare at age 65 will help your dependent avoid Medicare Part B late enrollment penalties. Your health plan premium will usually be lower if your dependent is also enrolled in Medicare. If you have a dependent over age 65 that chooses not to enroll in Medicare, any dependent subsidy paid on their behalf will be limited to the amount that would be paid for a dependent who is enrolled to the full extent of eligibility in Medicare and who includes their Medicare benefits in their Board-approved health plan. If no Medicare eligibility information is provided to LAFPP for a dependent over age 65, LAFPP will assume your dependent qualifies for Medicare Parts A and B to determine any dependent subsidy amount.

Furthermore, at the time of your death, should your Qualified Surviving Spouse/Domestic Partner be over the age of 65 and not enrolled in Medicare Part B, he or she will not qualify for a health subsidy until such time as he or she is enrolled in Medicare to the fullest extent eligible.

## Health Insurance Subsidy for Members with Less Than 10 Years of Service

Members who retired on a service-connected disability pension with less than 10 years of service may be eligible for the following:

- If age 55 to 64, or over age 65 and eligible for Part B of Medicare but not Part A, 40% of the maximum health subsidy amount or 40% of the single-party cost of the retiree's plan, whichever is lower.
- If eligible for both Parts A and B of Medicare, 75% of the maximum Medicare subsidy or 75% of the single-party cost of the retiree's plan, whichever is lower.

You must meet the following requirements:

- Be at least age 55;
- Be enrolled in a Board-approved health plan (offered by LAFRA, LAPRA, UFLAC).

At age 65, you are required to enroll in Medicare to the full extent of your entitlement to continue receiving your health subsidy. If you are eligible for both Part A and Part B of Medicare and eligible for a health subsidy, you will be reimbursed for the cost of the Part B basic premium. If you qualify for Part B only, you must pay for the cost of your Medicare Part B and will not be reimbursed for it.

Qualified Surviving Spouses/Domestic Partners are not eligible for a health subsidy benefit if the member retired with less than 10 years of service.

## HEALTH INSURANCE PREMIUM REIMBURSEMENT PROGRAM

The Health Insurance Premium Reimbursement (HIPR) Program is available to retired members and Qualified Surviving Spouses/Domestic Partners who meet LAFPP health insurance subsidy eligibility requirements and are not enrolled in a Board-approved health plan.

Retired members who qualify are entitled to receive reimbursement up to their maximum monthly health subsidy. Reimbursement will be issued directly to the member, on a quarterly basis, for health insurance premiums paid to a non-Board-approved, state-regulated health plan.

At age 65, you are required to enroll in Medicare to the fullest extent of your entitlement to continue participation in the HIPR Program. If you are in a Medicare Parts A and B health plan, you will also receive reimbursement for the Part B basic monthly premium paid upon verification of your Medicare enrollment.

### Qualifications

The Health Insurance Premium Reimbursement Program is available to retired members and Qualified Surviving Spouses/Domestic Partners if:

- The member had at least 10 YOS, or the deceased pensioner had at least 10 YOS if the Qualified Surviving Spouse/Domestic Partner is applying for reimbursement;

**AND**

- The member must be at least 55 years of age, or if the member is deceased and a Qualified Surviving Spouse/Domestic Partner is applying for the reimbursement, the member would have been at least 55 years of age;

**AND**

- The member or Qualified Surviving Spouse/Domestic Partner must be enrolled to the full extent of his or her entitlement in Medicare;

**AND**

- Not enrolled in a Board-approved health plan.

NOTE: Board-approved health insurance coverage must be cancelled prior to you or your Qualified Surviving Spouse/Domestic Partner participating in the Health Insurance Premium Reimbursement Program. Cancellation forms should be obtained from the current health plan administrator.

|                                          |                |
|------------------------------------------|----------------|
| Los Angeles Firemen's Relief Association | (800) 244-3439 |
| Los Angeles Police Relief Association    | (888) 252-7721 |
| United Firefighters of Los Angeles City  | (213) 895-4006 |

## **RETIREE DENTAL INSURANCE SUBSIDY**

As a retired member you may be eligible for a dental insurance subsidy. LAFPP only subsidizes the premiums of dental plans currently offered by:

- Los Angeles Police Protective League (LAPPL)
- Los Angeles Police Relief Association (LAPRA)
- United Firefighters of Los Angeles City (UFLAC)

Retirees must meet the following requirements to be eligible for the dental insurance subsidy.

- Be at least 55 years of age;
- Have at least 10 YOS; and
- Be enrolled in a Board-approved dental plan.

Effective January 1, 2020, the maximum subsidy is \$44.60 per month. It is applied to the premium of the approved plan you select. You receive 4% of the maximum subsidy for each whole year of service (YOS) up to 25 years. The maximum subsidy cannot exceed the single-party premium of the dental plan the retired member is enrolled in. The retiree payroll system automatically calculates the subsidy and any deduction and reflects it in your monthly pension payment.

The formula is as follows:

$$YOS \text{ (up to 25)} \times 4\% \times \text{Maximum Subsidy} = \text{Member Subsidy}$$

The dental subsidy is applicable to the dental insurance premium for the retired member only. This subsidy is not available to dependents, Qualified Surviving Spouses or Qualified Surviving Domestic Partners.

**For additional information, please call our Medical and Dental Benefits Section at (213) 279-3115.**



## Plan Administration

### PLAN ADMINISTRATION

Tier 6 is administered by the Department of Fire and Police Pensions of the City of Los Angeles, which is located at 701 East 3<sup>rd</sup> Street, Suite 200, Los Angeles, California 90013.

LAFPP is under the control and management of a nine-member Board of Fire and Police Pension Commissioners. The Mayor appoints five members. The remaining four are elected by members of the Fire and Police Departments: one retired member and one active member from each department. All members serve five-year terms. The Board usually meets in public session on the 1<sup>st</sup> and 3<sup>rd</sup> Thursday of each month. A General Manager is responsible for the day-to-day administration of LAFPP.

#### How to Reach Us

##### *Phone Numbers for Department Services*

- (213) 279-3140 **Active Member Services** – member statements, beneficiary designations, contribution accounts, dissolution of marriage information, domestic partnership forms, refund of contributions and service purchases.
- (213) 279-3155 **Communications & Education** – Annual Report, financial planning education seminars, MyLAFPP, newsletters, website, and social media.
- (213) 279-3165 **Disability Pensions** – disability pension applications/reviews, review of dependent child/parent eligibility, survivor pension applications (active member deaths).
- (213) 279-3100 **DROP/Service Pensions** – retirement counseling, administration of the Deferred Retirement Option Plan (DROP) program, service and deferred pension applications.
- (213) 279-3115 **Medical and Dental Benefits** – health insurance subsidy, dental insurance subsidy, and health insurance premium reimbursement program for retired members and qualified survivors.
- (213) 279-3125 **Retirement Services** – direct deposit, tax withholding, and cost-of-living adjustments, survivor pension applications (retired member deaths), pensioner records and information. Discontinuance of benefits upon death or other disqualification.

### ***Other Ways to Contact Us***

Toll-Free: (844) 88-LAFPP (52377)  
Fax Number: (213) 628-7716  
TDD Number: (213) 628-7713  
E-mail: pensions@lafpp.com  
Website: [www.lafpp.com](http://www.lafpp.com)

### **Department Human Resources/Retirement Liaisons**

Fire: (213) 978-3750  
Police: (213) 486-6610  
Harbor: (310) 732-3486  
Airport: (424) 646-5900

### **Agent for Service of Legal Process**

Custodian of Records  
Los Angeles Fire and Police Pensions  
701 East 3<sup>rd</sup> Street, Suite 200  
Los Angeles, CA 90013  
(213) 279-3000

## **PLAN INFORMATION**

|                                                            |                                                                     |
|------------------------------------------------------------|---------------------------------------------------------------------|
| Name of Plan                                               | Fire and Police Pension Plan – Tier 6                               |
| Type of Plan                                               | Defined Benefit<br>401(a)                                           |
| Effective Date                                             | July 1, 2011                                                        |
| Plan Fiscal Year End                                       | June 30                                                             |
| Employer Sponsoring Plan                                   | City of Los Angeles                                                 |
| Internal Revenue Service<br>Employer Identification Number | 95-6000735                                                          |
| Plan Number                                                | 003                                                                 |
| Plan Administrator                                         | Board of Fire and Police Pension Commissioners                      |
| Address                                                    | 701 East 3 <sup>rd</sup> Street, Suite 200<br>Los Angeles, CA 90013 |





### STEPS TO CALCULATE YOUR SERVICE PENSION

#### Step 1 – Compute Your Final Average Salary

Your Final Average Salary (FAS) is the monthly average of the 24-consecutive-month period you choose, usually the 24 months immediately preceding your retirement.

The basic steps to calculate your FAS are to total your regular biweekly pay for 52 pay periods (two years), divide that figure by 52, and multiply that amount by 2.175. A detailed explanation can be found in the Service Pension Section (page 3).

#### Step 2 – Calculate Your YOS Percentage

Calculate your YOS percentage based on your total years of service credit. You are credited with 40% of your Final Average Salary (FAS) at 20 years of service. For each year thereafter, you will earn 3% per year for years 21-25; 4% per year for years 26-30 and 5% per year for years 31-33. The maximum FAS payable is 90% at 33 years of service. (See the percentage equivalency chart in the sample on page 4.) When computing your pension, YOS are calculated to the last completed pay period worked. (Please note that any lost service time will be subtracted from your YOS percentage calculation.)

#### Step 3 – Calculate Your Monthly Service Pension

Multiply your FAS by the YOS percentage to determine your estimated monthly benefit.

You may also run a pension estimate through MyLAFPP at [www.lafpp.com](http://www.lafpp.com). This estimate projects your years of service (YOS) and rate of pay to your earliest retirement date, 25, 30 or 33 YOS.

## Sample Service Pension Calculation

EXAMPLE: You retire with exactly 28 years of service and you are over age 50. Your Final Average Salary is \$5,110.34. (Note: This example assumes no Lost Service Time or Prior Hazard Pay.)

**Step 1 – Enter Final Average Salary** \$5,110.34

**Step 2 – Enter Years of Service** 28

| YOS | Pension Percentage | YOS | Pension Percentage |
|-----|--------------------|-----|--------------------|
| 20  | 40%                | 27  | 63%                |
| 21  | 43%                | 28  | 67%                |
| 22  | 46%                | 29  | 71%                |
| 23  | 49%                | 30  | 75%                |
| 24  | 52%                | 31  | 80%                |
| 25  | 55%                | 32  | 85%                |
| 26  | 59%                | 33+ | 90%                |

**Years of Service Percentage for 28 years** 67%

### Step 3 – Calculate Monthly Service Pension

Multiply Final Average Salary by Years of Service Percentage \$5,110.34  
X 0.67

**Estimated Monthly Pension Benefit** **\$3,423.93**

This estimate represents your initial pension benefit. Each year, a cost of living adjustment (COLA) is applied to your pension based on the change in the Consumer Price Index (CPI). Tier 6 has a 3% COLA cap with a COLA bank. This means that if the CPI rises more than 3%, the excess is “banked” and applied to your benefit during years in which the COLA would otherwise be less than 3%.

You may also run a pension estimate through MyLAFPP at [www.lafpp.com](http://www.lafpp.com).

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