

Understanding Retiree Benefits, Contributions and Eligibility Questions & Answers June 21, 2011

1. How much more of a contribution will I have to pay and when will the new deductions begin?

Members whose bargaining units have agreed to the additional contributions specified in Los Angeles Administrative Code Section 4.1031.2(c) will make additional retirement contributions of 2% of compensation earnable retroactive to April 24, 2011 through payroll deductions. Beginning July 1, 2011, these additional retirement contributions will increase to 4% of compensation earnable.

These additional retirement contributions continue until the Member retires, even if the Member later becomes part of a bargaining unit not subject to the additional contributions.

2. What benefits will I receive in return for my additional deductions?

Members who make the additional contributions to the Retirement Fund as specified in Los Angeles Administrative Code Section 4.1031.2(c) will have a vested right to an increase in the maximum retiree medical plan subsidy no less than the dollar increase in the Kaiser two-party non-Medicare Part A and Part B premium.

3. I am in the process of buying back some government time. Will these changes affect my amount owed?

No, not if you are already in the process of paying for the buyback.

4. I am thinking about buying back some government time. Will these changes impact the cost of the buyback?

Possibly.

One of the factors used to calculate the Government Service Buyback is the Member's current retirement contributions. The increase in retirement contributions for certain Members will impact the calculation of this benefit, resulting in a higher cost for the buyback than prior to the ordinance changes.

However, if the Member left his/her contributions on deposit with the other government agency until after the later of the Member's hire date by the City or the ordinance effective date, the buyback purchase price will be the

amount of Member contributions and interest on deposit in the Member's account with that government agency.

5. What are the impacts of the adoption of a guaranteed maximum subsidy increase to existing retirees and Members who retire prior to July 1, 2011?

There are no changes to current LACERS retirees. Members retiring prior to July 1, 2011 will retire under the current LACERS benefits guidelines. The ordinance changes will take effective July 1, 2011.

6. I plan to retire in July 2011 and I am not part of the coalition requiring Members to make additional contributions. What can I do to ensure that I retire with my current benefits?

If eligible, you may choose a retirement effective date prior to July 1, 2011. The Expedited Retirement Ordinance ([click here for more information](#)) is currently in effect. This ordinance waives the requirement that you apply for retirement at least 30 days in advance. Please contact LACERS immediately if you plan to exercise this option.

7. Will my retirement allowance be increased if I pay the additional contributions?

No, since the retirement allowance is based on a formula (Final 12-Month Average Salary Compensation X Service Credit X 2.16%), the increase in retirement contributions will not impact your retirement allowance.

8. Has LACERS retirement eligibility changed?

No, LACERS retirement eligibility has not changed ([click here for more information](#)).

9. I am a deferred vested Member. How do these changes affect me?

If a Member separates from City service **after** making the additional contributions, they will be vested for the increases to the maximum subsidy under the provisions of the new ordinance, provided that the Member meets the retiree health program eligibility requirements.

If a Member separated **prior** to making any additional contributions, even if the Member meets the retiree health program eligibility requirements they will not be vested for the increases to the maximum subsidy and their maximum subsidy shall be frozen at the June 30, 2011 rate.

10. If I am not paying the additional contributions, will I be allowed to voluntarily contribute the additional contribution in order to obtain the vested subsidy benefit?

No, at this time, this is not an option. This is between the bargaining units and plan sponsor (City) to negotiate.

11. Is there any impact on my taking a refund of my contributions if I separate from the City?

No, there are no changes to the current process. You will still be entitled to a full refund of your contributions and interest.

12. When I retire, if I choose not to participate in LACERS' retiree health program or do not qualify for LACERS' retiree health program (LAAC Section 4.1103.2), can I receive a refund of the additional contributions?

No, although the additional contribution is noted as "Ret Health Defrayal" on your paycheck stub, these contributions are deposited in the Retirement Fund. Therefore, you may only receive a refund of your additional contributions if you should fully withdraw your entire LACERS contribution and cease Membership with LACERS. Taking a withdrawal of your contributions and ceasing Membership with LACERS forfeits any right to a retirement allowance and/or health benefits from LACERS.

13. Does contributing the additional contributions automatically qualify me to the retired medical and/or dental subsidy?

No, you must still meet the minimum retiree health program eligibility requirements (LAAC Section 4.1103.2).

14. Who is subject to the subsidy freeze?

Any LACERS Member who retires on or after July 1, 2011 **and** who has not made additional retirement contributions pursuant to Los Angeles Administrative Code (LAAC) Section 4.1031.2, will have their maximum medical subsidy frozen.

15. If my maximum monthly medical plan premium subsidy is frozen at \$1,190, what happens if my premium exceeds that amount?

Your subsidy may or may not cover the total cost of your monthly premium. If your subsidy is less than your premium, you pay the difference through a deduction from your retirement allowance.

16. Will the maximum monthly medical plan premium of \$1,190 ever change?

For Members who retire June 30, 2011 or before, the Board of Administration may in its discretion, by resolution, change the maximum monthly amount of the medical plan subsidy provided to retired employees, subject to the limitations stated in Los Angeles Administrative Code Section 4.1103.1.

Members who have paid the additional contributions specified in Los Angeles Administrative Code Section 4.1031.2(c) (see Question 1), will have a vested right to an increase in the maximum medical plan subsidy no less than the dollar increase in the Kaiser two-party non-Medicare Part A and B premium.

However, those who retire after July 1, 2011 **and** who have not made additional retirement contributions pursuant to LAAC 4.1031.2, will not be eligible for any future medical subsidy increases.

17. My retirement contribution increased to 7% recently. Does this mean I have a vested right to increases in the maximum LACERS retiree medical subsidy?

No. The recent increase to 7% in retirement contribution was to fulfill the obligation of the cost of the Early Retirement Incentive Program ([click here for more information](#)). Members receiving a vested right to increases in the LACERS retiree medical subsidy will contribute an additional 2% as of April 24, 2011, increasing to 4% as of July 1, 2011.

18. Is it beneficial for me to retire before June 30, 2011?

This is a personal decision that you must make for yourself based on the changes to the maximum retiree medical subsidy effective July 1, 2011.

19. The bargaining unit to which I belong has not approved the additional retirement contributions. How do the changes affect my retirement health benefits?

If you retire on or after July 1, 2011, and have not made additional retirement contributions pursuant to LAAC 4.1031.2, the maximum medical subsidy available to you will be frozen. You will not be eligible for any future increases to the maximum medical subsidy.

20. Do these changes mean that there are no longer “free medical benefits” for life?

There have never been “free medical benefits” for life for LACERS Members. The maximum subsidy available to retirees with 25 years of City service has normally been sufficient to cover the lowest-cost

two-party non-Medicare HMO plan. The selection of the lowest-cost two-party non-Medicare HMO plan would, therefore, result in no deductions to the retirement allowance of the retiree.

However, Members have always been responsible for paying any medical premium amounts that exceed their available monthly medical subsidy.

21. If I am currently a retired Member of LACERS, do I have a vested right to receive an increase in my maximum medical subsidy equal to the dollar increase in the two-party non-Medicare Kaiser rate each year?

No. The Board of Administration may choose not to increase the maximum medical subsidy for those retired on or before June 30, 2011. Also, if LACERS' overall medical plan premium increases exceed LACERS' average actuarial medical trend rate over the past 3 years, the Board of Administration may be restricted to a maximum medical subsidy increase that is less than the dollar increase in the two-party non-Medicare Kaiser rate.

22. Does the health subsidy freeze apply to my health benefits if I am already a retired Member of LACERS as of June 30, 2011?

No.

23. What subsidy rules apply to eligible Surviving Spouses/Domestic Partners?

The eligible surviving spouse/domestic partner of any retiree subject to the subsidy freeze will have his/her maximum medical subsidy frozen at the 2011 rate as well.

Those eligible surviving spouses/domestic partners of those who retired on or before June 30, 2011, and those who retired after but made additional retirement contributions pursuant to LAAC 4.1031.2(c), will continue to receive medical subsidy increases as approved by LACERS' Board of Administration.

24. Can I still enroll a dependent in a LACERS health plan even though there is a subsidy freeze?

Yes. You may enroll eligible dependents into a LACERS medical plan. However your subsidy may or may not cover the total cost of your monthly premium. If your subsidy is less than your total premium, the difference is deducted from your retirement allowance. There has never been a dental subsidy for dependents. You may enroll them and pay the full amount for your dependents' dental coverage.

25. What does the subsidy freeze mean once I qualify for Medicare?

If you are subject to the subsidy freeze (see Question 14), your Medicare medical plan subsidy will be frozen as well at the 2011 retiree health plan year rate.

If you are not subject to the subsidy freeze (see Question 14), your Medicare medical plan subsidy will be determined by LACERS' Board of Administration each year.

Additional resources:

- [Summary Information Regarding Ordinance Changes Which May Impact LACERS Members](#)
- [Expedited Retirement Ordinance](#)
- [Retirement Eligibility Rules](#)
- [ERIP Ordinance \(approving contribution rate increase to 7%\)](#)