LACERS

LA CITY EMPLOYEES' RETIREMENT SYSTEM

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October 12, 2023

The Honorable Mayor Karen Bass
Mayor, City of Los Angeles
City Hall, Room 303
Los Angeles, CA 90012

The Honorable City Council
City of Los Angeles
City Hall, Room 395
Los Angeles, CA 90012

Attention: Matthew Szabo, City Administrative Officer

INCOME-RELATED MONTHLY ADJUSTMENT AMOUNT (IRMAA) AND MEDICARE PART B ONLY REIMBURSEMENT

Honorable Mayor Bass and Honorable City Council Members:

The Los Angeles City Employees' Retirement System (LACERS) Board of Administration (Board) adopted the attached report recommending that the City Council (Council) consider increasing reimbursements to LACERS Retired Members with Medicare Part B premiums.

Numerous LACERS Retirees and the largest City retiree association, the Los Angeles Retired City Employees Inc. (RLACEI), have continued over the past year to raise their concerns about the hyperinflation of Medicare Part B Premiums and its devaluing effect on their LACERS retirement benefit. Retirees aged 65 and older are required to participate in Medicare to receive a LACERS retiree health subsidy.

The Board respectfully requests that Council consider options for granting an increased reimbursement of the Medicare Part B premiums to partially or fully defray costs of required enrollment into Medicare. The attached staff report and actuarial cost study present information on an option to extend reimbursement of the Medicare Part B basic premium to a currently ineligible closed group of approximately 1,375 retirees who began working for the City of Los Angeles prior to April 1, 1986. Additional options outlined in the report present reimbursement of Medicare Part B premiums beyond the current basic premium tier level to up to four premium tier levels known as Income-Related Monthly Adjustment

Amounts (IRMAA), impacting up to approximately 1,795 retirees with LACERS retirement allowance greater than the IRMAA income limit.[1]

The LACERS Board recommends that Council consider further evaluation of this issue of significant concern to LACERS Members. LACERS is available to answer any questions you may have. Please feel free to contact Assistant General Manager Dale Wong-Nguyen at (213) 219-6245 or dale.wong@lacers.org.

Sincerely,

ANNIE CHAO, President
LACERS Board of Administration

NMG/DWN/KF

Attachments:

1. LACERS Board Report September 26 2023 IRMAA
2. LACERS Board Report June 13 2023 IRMAA
3. LACERS Board Report August 23 2022 IRMAA

c: Karen Bass, Mayor
Matthew W. Szabo, City Administrative Officer
Sharon Tso, Chief Legislative Analyst
Neil Guglielmo, LACERS
Todd Bouey, LACERS
Dale Wong Nguyen, LACERS

[1] Based on the June 30, 2022 actuarial valuation

LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

ATTACHMENT 1

REPORT TO BOARD OF ADMINISTRATION
From: Neil M. Guglielmo, General Manager

MEETING: SEPTEMBER 26, 2023
ITEM: VIII – D

SUBJECT: **INCOME-RELATED MONTHLY ADJUSTMENT AMOUNT (IRMAA) AND MEDICARE PART B ONLY REIMBURSEMENT MEMBER FEEDBACK AND POSSIBLE BOARD ACTION**

ACTION: ☒ CLOSED: ☐ CONSENT: ☐ RECEIVE & FILE: ☐

Recommendation

That the Board authorize the Board President to sign and transmit a letter, including the actuarial analysis and Member feedback, to the Mayor and Los Angeles City Council for consideration of increasing reimbursements to LACERS Retired Members with Medicare Part B premiums.

Executive Summary

Current Los Angeles Administrative Code (LAAC) provisions only allow for the reimbursement of the basic Medicare Part B premium for eligible Retired Members with Medicare Parts A and B. Based on requests of Members and stakeholders, the LACERS Board examined the topic of IRMAAs to understand the impact of IRMAAs to LACERS Members. The LACERS Board approved the actuarial cost study of 1) the reimbursement of IRMAA attributable to a Member's LACERS retirement allowance as well as, 2) the basic Part B reimbursement for Members with Medicare Part B only. LACERS also gathered Member feedback so that all relevant information can be transmitted to City Council for consideration.

Staff recommends sharing this report and previous IRMAA reports dated June 13, 2023, and August 23, 2022, with the Mayor, City Council, and Chief Administrative Officer:

1. August 23, 2022 - Board of Administration Report Item VII-D IRMAA and Medicare Part B Only Reimbursement Consideration:

   https://www.lacers.org/sites/main/files/file-attachments/board_agenda_combined_47.pdf?1660840110

2. June 13, 2023 - Board of Administration Report Item X-B Presentation of the Cost of Medicare Part B Premium Reimbursement and IRMAA:

   https://www.lacers.org/sites/main/files/file-attachments/board_agenda_combined_63.pdf?1686248657

Discussion

In order to receive a LACERS medical subsidy, Retired Members are required to enroll in Medicare Part B when they become age 65 and are responsible for paying the premium cost levied by Medicare out-of-pocket. In the 1980s, the benefit was adopted by ordinance to allow for reimbursement of the Medicare Part B premium for Retired Members enrolled in both Medicare Parts A and B but did not address the Retired Members enrolled in Medicare Part B only. These Part B only Members were former employees hired prior to April 1, 1986, who did not have the mechanism to contribute towards the Federal Insurance Contributions Act (FICA), which would have provided a Medicare Part A benefit. There is a closed group of 1,375 Retired Members with Medicare Part B only coverage who do not receive a premium reimbursement.

The Medicare Part B premium reimbursement benefit provides reimbursement of the basic/standard premium and no reimbursement of IRMAAs. The IRMAA was introduced by the Federal government in 2007 to increase cost-sharing with Medicare recipients with higher taxable income. In 2021, IRMAAs were assessed for people with taxable income over $88,000. This amount may change annually. The more taxable income one has, the higher the amount of additional Part B premium cost, thus creating the perception among Members that their LACERS medical subsidy was devalued because LACERS does not provide reimbursement of IRMAAs.

Basis for the Report

LACERS consistently receives Member feedback requesting a change to the LACERS benefit to include reimbursement of Retired Members' Medicare Part B IRMAA; and to reimburse the Medicare Part B basic premiums for Retired Members who started City employment prior to April 1, 1986, and are excluded from the reimbursement unless they qualify for premium-free Medicare Part A from non-City employment. Due to increased interest from our Members and the Retired Los Angeles City Employees' Association, Inc. (RLACEI), the largest City retired employee association, LACERS conducted preliminary research and analysis of these two issues.

Consideration of any changes to the LACERS benefit requires approval by the City Council and must be accompanied by an actuarial cost study of the proposed benefit. On August 23, 2022, the Board commissioned an actuarial cost of providing reimbursement beyond the basic Medicare Part B premium to IRMAAs. Following the Board's approval, LACERS met separately with the RLACEI and the City Administrative Officer (CAO) to solicit input into the development of parameters of the actuarial cost study and to discuss various options to increase reimbursements to Retired Members with Medicare Part B premiums. The following cost study parameters emerged as feasible.

1) *A direct reimbursement amount, independent of the subsidy calculation.* This is a straight-forward calculation and in line with the methodology currently used for reimbursement of the basic Part B premiums. Aside from the administrative efficiency, this ensures Retired Members with a Medicare Part B premium always receive a premium reimbursement, even if their medical plan premiums exceed their LACERS medical subsidy. Typically, Retired Members with lower number of years of service, and/or in a high-cost medical plan, or with dependents, need to pay a portion of the medical plan premiums and will not have excess subsidy amounts.

2) *Calculation of the allowable Part B IRMAA premium reimbursement based on the Retired Member's retirement income from LACERS defined benefit plan.* This option bases the reimbursement on LACERS' records rather than creating a reliance on the Retired Member to submit records of their federal Modified Adjusted Gross Income (MAGI) which is based on the Retired Member's taxable income. The actuarial study could not be conducted using the Retired Member's federal MAGI as this data is unavailable to LACERS and varies from year to year for each individual.

Cost Study

LACERS plan Actuary, Segal, conducted the study and presented their findings to the Board at the June 13, 2023 Board Meeting. The report detailed the cost of providing the basic Medicare Part B premium reimbursement to Retired Members with Part B only coverage, and the cost of providing reimbursements for each of the five IRMAA bracket levels based on LACERS' census data as of the latest valuation ending June 30, 2022.

The assigned cost of these proposed benefit enhancements are as follows:

Reimbursement of the basic Part B premium to 1,375 retirees who currently are not eligible to receive the reimbursement (those employed by the City prior to April 1, 1986)

- Annual Actuarially Determined Contribution increases by $2.7M
- The total Unfunded Actuarial Accrued Liability (UAAL) increases by $31.6M, from $107.7M to $139.3M for Part B basic reimbursement only, with the annual cost of the UAAL based on a 15-Year Amortization of the plan change increasing from 2.7M to 3.1M
- Funded Ratio decreases from 96.99% to 96.14% for basic reimbursement.

Reimbursement of the Medicare Part B premium surcharge known as the Income-Related Adjustment Amounts (IRMAA), to up to approximately 1,795 retirees (those with Parts A&B and Part B only coverage) with LACERS retirement benefits greater than $91,000 per year. The following changes include the impact of providing the basic Part B premium to the 1,375 retirees noted above.

- Annual Actuarially Determined Contribution increases by $5.8M - $8.9M, depending on the IRMAA bracket used to define the maximum reimbursement.
- The total UAAL increases by $61.4M to $90.8M, from $107.7M to up to $198.5M, with the annual cost of the UAAL based on a 15-Year Amortization of the plan change increasing from 5.2M to 7.7M
- Funded Ratio decreases from 96.99% to as low as 94.59%

Member Feedback

Following the June 13, 2023 Board meeting, LACERS conducted both virtual and in-person meetings with Members to educate Members on Medicare requirements in conjunction with LACERS health benefits, providing further information on the IRMAA, and collecting feedback.

Virtual Meeting

LACERS hosted a virtual meeting on July 12, 2023, attended by 166 participants. Prior to the virtual meeting, Members were able to partake in an online survey available on the LACERS website and share public comments with the Board.

In-Person Meeting

An in-person meeting at the LACERS headquarters took place on July 20, 2023. This event was attended by 28 Members. The process of recommending benefit changes for City approval was highlighted and the findings of the Segal report were shared with Members and stakeholders, followed by a question-and-answer session to collect feedback and address concerns.

Member Survey and Comments

Survey responses (354) and public comments (11) were received online, and numerous questions were asked during the virtual meeting. While most inquiries were regarding general health benefits and Medicare requirements, approximately 36% of the responses focused on the financial impact of IRMAAs and pleas to the Board in making a recommendation to the Mayor and City Council to modify the LACERS benefit to include reimbursement of IRMAA, and the Part B basic premium for Retired Members with Medicare Part B only.

Summaries of the collected feedback are as follows:

Public Comments to the Board Topics	
Support IRMAA Reimbursement	3
Study/Revisit the IRMAA Reimbursement	3
Correct the IRMAA Reimbursement	2
Support Medicare Part B Reimbursement	2
IRMAA General Comment	1
Total Public Comments	**11**

Survey Response Topics	
Support Reimbursement of Part B Basic Premiums for Members with Part B Only	234
Oppose Reimbursement of Part B Basic Premiums for Members with Part B Only	120
Support IRMAA Reimbursement	266
Oppose IRMAA Reimbursement	85
Total Survey Responses • 354 responses were received for the Part B basic reimbursement while 351 responses were received on the IRMAA question	354

Webinar Question Topics	
General – Medicare	21
General – LACERS Medical Plan	7
Support IRMAA Reimbursement	5
General – Webinar Power Point Presentation	3
General – LAAC Change Process	2
General – LACERS Medical Subsidy	2
General – Miscellaneous	2
General – Webinar Recording Availability	2
Other – Los Angeles City Bank	1
General – Comparison to Other Systems	1
General – IRMAA	1
Total Questions Received	**47**

Research of Other Pension Systems

Research was conducted of other retirement systems' Medicare reimbursements, including IRMAA. These included information on government retirement systems that are not reimbursing IRMAA, those that are reimbursing IRMAA, as well as those that are in the process of eliminating Medicare reimbursements.

<u>California Pension System Survey</u>

In July 2021, LACERS conducted an informal survey of ten California pension plans. Three plans provide reimbursement of Part B IRMAAs from Retired Members' subsidies, while Los Angeles Fire and Police Pensions (LAFPP) and six other plans do not. The three plans that provide reimbursement of Part B IRMAAs from Retired Members' subsidies are: California Public Employees' Retirement System (CalPERS), Water and Power Employees' Retirement Plan (WPERP), and San Diego County Employees' Retirement System (SDCERS).

<u>Reimbursements of Systems Outside of California</u>

Additional research was conducted in 2023 on three non-California agencies found to have IRMAA reimbursement – the New Jersey State Pension, the City of New York, and the State of Hawaii Pension.

New Jersey

The New Jersey Department of Pensions and Benefits (NJDPB) reimburses the basic Medicare Part B premium and Part D IRMAA for eligible Retired Members and their spouses based on applicable laws and bargaining agreements. Benefit reimbursement is limited to state pensioners who have a minimum of 25 years of service and retired before July 1, 1995.

New York

The City of New York has been providing Medicare Part B reimbursement since 1968. The City of New York added reimbursement of IRMAA in 2009 for their Members and eligible dependents. Their IRMAA reimbursements are paid annually in October based on their Member's previous year's IRMAA amount, if any, with Members allowed to claim up to three years prior. The added benefit does not include reimbursement for Part D IRMAA or late enrollment penalties assessed by Centers for Medicare & Medicaid Services (CMS).

Hawaii

Further research was conducted of the Hawaii Medicare reimbursements. The Hawaii Employer-Union Health Benefits Trust Fund reimburses the Medicare Part B premium for Members and their dependents who are covered under their retiree medical and/or prescription drug plans. Members with Medicare Part B premiums greater than the standard amount must provide documentation such as the Social Security Administration letter or CMS invoice indicating the higher Medicare Part B premium to receive the higher reimbursement every year.

Recently, the State Legislature of Hawaii passed Senate Bill 1314 H.D.1 that aims to end state and county reimbursement of Medicare Part B premiums for spouses of retirees. The Bill, which awaits final approval by State of Hawaii Governor Josh Green, would affect spouses of retired city and state workers with a hire date after June 30, 2023. In Fiscal Year 2022, Medicare Part B premium reimbursements paid to the spouses of retirees totaled approximately $24.5 million. The Hawaii Employer-Union Health Benefits Trust Fund Board of Trustees estimates that the measure will reduce the State's future annual required contributions by $1.2 billion over a thirty-year period.

Additionally, Senate Bill 1315 S.D.2, which eliminates reimbursement of IRMAA for a retired employee hired on or after July 1, 2023, and their spouse, will reduce future state annual required contributions by $400 million over a thirty-year period.

Strategic Plan Impact Statement

Research and Member outreach on the IRMAA and Medicare Part B reimbursement issue supports LACERS Strategic Plan Goals to provide outstanding customer service and uphold good governance practices which affirm transparency, accountability, and fiduciary duty.

Prepared By: Glen Malabuyoc, Senior Benefits Analyst I, and Vi Duong, Benefits Analyst

NMG/DW/KF/GM/VD

Attachments: 1. IRMAA Public Comments
2. IRMAA Outreach Survey Responses
3. Medicare Part B & IRMAA Presentation
4. IRMAA Webinar Questions and Answers
5. July 2023 IRMAA Information Webinar:
https://www.youtube.com/watch?v=R6ImWeAq7oU

Communication from the Public

BOARD Meeting: 9/26/2023
Item: VIII-D
Attachment: 1

Name: Farid Saffar-Irani

Date Submitted: 7/3/2023

LACERS Agenda Item: IRMAA/Medicare Part B Only

Comments for Public Posting:

Honorable board members,
I would like to express my concern regarding the IRMAA (Income-Related Monthly Adjustment Amount) board letter presented on June 13. While I appreciate the information provided, I have observed a significant oversight that needs to be addressed regarding retirees who have retired under the reciprocity agreement between LACERS and other government pension agencies, such as CalPERS.

The letter primarily focuses on retirement income from LACERS when discussing the income threshold of $91,000. However, it fails to consider the combined retirement pensions of those retirees who benefit from the reciprocity agreement. When retirees combine their pensions from LACERS with pensions from other government agencies, their overall retirement income surpasses the income threshold. Consequently, these retirees are required to pay IRMAA, even though their individual retirement income from LACERS falls below the threshold. This situation creates an unfair circumstance for retirees like myself, as we are penalized for the combined income from multiple governmental pension sources, even though our LACERS retirement income alone would not reach the threshold. It is crucial to acknowledge and address this disparity to ensure fairness and equity for all retirees under the reciprocal agreement. I kindly request that the LACERS board revisits the letter and includes a provision or clarification to recognize the retirees who fall under this specific situation. By doing so, you would not only demonstrate your commitment to fairness but also alleviate the financial burden faced by these retirees due to the current oversight. Thank you for your attention to this matter. I firmly believe that by considering and rectifying this issue, LACERS will continue to uphold its dedication to supporting and advocating for all retirees.

Sincerely,
Farid Saffar-Irani, CPA
Director of Auditing (Retired)
2023-07-03

Communication from the Public

Name: Debra DiPrimio

Date Submitted: 7/6/2023

LACERS Agenda Item: IRMAA/Medicare Part B Only

Comments for Public Posting: Medicare IRMAA Penalty
Upon reading todays latest Alive Newsletter I felt compelled to send you an email I sent to LACERS concerning LACERS members being forced to sign up at 65 for Medicare. I do not believe I am wrong in believing that after having worked for the City of LA for over 30+ years my medical would be fully funded. For the last three, coming up on four years I have forfeited over ONE month of my pension income paying the IRMAA penalty imposed by Medicare. Yet if I refuse to pay Medicare and the penalty I am told I will lose whatever medical is provided by LACERS (which I am not sure is any different than Medicare). As far as I can tell the only one benefitting from me paying this IRMAA penalty ($636.90/monthly attached bill - $7642.80/yrly) is a unacceptable way of distributing healthcare to someone other than me or my spouse!

The County of Los Angeles apparently does not require their retirees to apply for Medicare and upon putting in 30years of service upon retirement provide them with healthcare. Many other civil service pensions do not require Medicare enrollment either.

At this point I feel compelled to look at other healthcare options as I feel betrayed by the Retirement Pension Plan I thought I would receive when I began working first for DWP in 1977, transferring to LADPW-BSS in 1986. I retired Jan 2, 2010.

I can only hope you take this to heart and share with those that can correct this travesty!!!

Thank you for listening!
Debra DiPrimio

Communication from the Public

Name: ofeliakim

Date Submitted: 7/6/2023

LACERS Agenda Item: IRMAA/Medicare Part B Only

Comments for Public Posting: Medicare Part B Only
Retirees age 65 and older who were hired before April 1, 1986 should have their premium reimbursed for Medicare Part B just like those retirees who were hired after April 1, 1986 for the following reasons: 1) Retirees hired before April 1, 1986 did not pay the 1.5% FICA since the City did not deduct such amount from their salary. This was not their choice nor were they aware of the consequences of this ruling. They were not informed nor were they given a choice on this matter. 2) Retirees who were hired before April 1, 1986 have more seniority and/or served the City longer than those retirees hired after April 1, 1986. Therefore they are entitled to at least the same benefit or better. 3) Retirees hired before April 1, 1986 not only have to pay premium for Medicare Part B from their own pocket but also have substandard health care coverage, a doubled edged sword, which is not their making, and therefore not justified 4) Paying 1.5% FICA while working is less of a burden than paying the part B Medicare premium while you are retired and at least 65 years old. Why should employees who have more seniority/served the City longer be subjected to this?

Communication from the Public

Name: Dan Jeffries

Date Submitted: 7/7/2023

LACERS Agenda Item: IRMAA/Medicare Part B Only

Comments for Public Posting:
I retired before age 65 under the City's SIP program. At the time I retired, I thought I was helping the City avoid layoffs and financial catastrophe by participating in SIP. When I turned 65, I was required to enroll in Medicare Part B and Part D. Because of the SIP payments and because my spouse is still working, we are paying $560.50 per month for Part B and $76.40 per month for Part D. We receive no additional insurance coverage for this $636.90 monthly expense. It might have made sense to require Part B and Part D before the IRMAA premiums became outrageous, but now it has a huge impact on retired City employees. When we joined the City, employees like me accepted significantly lower salaries than we would earn in non-City employment, with the understanding that our retirement would be secure. Paying these exorbitant IRMAA fees while receiving no additional benefit violates the promise the City made to us to take care of us during our retirement years. I urge you to do what’s right and fix this problem for the benefit of all current and future retired City employees.

Communication from the Public

Name: Moriyasu Bob Oda

Date Submitted: 7/9/2023

LACERS Agenda Item: IRMAA/Medicare Part B Only

Comments for Public Posting:
I believe that the LACERS Board of Administration should consider financing Medicare Part B Only. The Sega Study indicated that 1,375 retirees are over the age of 65. It is estimated the total cost to LACERS would approximately be $2,720,850 (1,375 retirees x 164.90 monthly Part B Premiums x 12months.) I urge that the LACERS Board of Administrative take positive action in this matter.

Thank you.
Moriyasu Bob Oda

July 8, 2023
TO: LACERS Board of Administration
FROM: Moriyasu Bob Oda
SUBJECT: Part 2 – Retirees with Medicare Part B Only
Re: Los Angeles City Employees' Retirement System (LACERS) - Impact of Increasing Retiree Part B Premium Reimbursements to Account for the Income Related Monthly

Adjusted Amount (IRMAA).
I encourage that the LACERS Board of Administration aid and support retirees with the cost of Medicare Part B Only. I was hired by the City of Los Angeles on November 6,1972 and retired on April 22, 2005 with 35 years of service with military buyback of 3 years. I am 78 years old and do not qualify for Medicare Part A & B and have 31 social security credits prior to employment with the City of Los Angeles. I have been living in Henderson Nevada for the past 12 years and only qualify for only one Medical Plan that would accept Part B Only. I have volunteered my time as President of Board Directors for a HOA community of 546 homes. I have been paying Medicare Part B Only for over 18 years with the estimated cost for myself in excess of $25,450 (Attachment A). I am not at a threshold for level 1 Income-Related Monthly Adjusted Amounts ("IRMAA").

Excerpts from the Segal Study

Retirees with Medicare Part B Only
"Currently, eligible retirees with Medicare Part B only coverage receive health and dental subsidies but are not eligible for a Part B premium reimbursement. In the June 30, 2022, OPEB valuation, there were 1,375 retirees over the age of 65 with Part B plans or Part B waiver plans (583 Part B + 792 Part B waiver coverage) who were not receiving a Part B reimbursement…" "…that 1,045 (76%) of the 1,375 current Medicare Part B only retirees receive a LACERS retirement benefit that is less than or equal to $91,000. These retirees would not be impacted by the IRMAA enhancements. However, all 1,375 would benefit from receiving the base Part B

Communication from the Public

PUBLIC COMMENT CONTINUED

premium reimbursement which they currently do not receive.” I believe that the LACERS Board of Administration consider supporting and financing retire members with Medicare Part B Only.

Thank you for your consideration.

Moriyasu Bob Oda CONTINUED

Attachment A
Historical Medicare Part B Premiums
Year Standard Monthly Premium (Before Income Adjustments)

2023
2022
$164.90
$170.10
2021 $148.50
2020 $144.60
2019 $135.50
2018 $134.00
2017 $134.00
2016 $104.90
2015 $104.90
2014 $104.90
2013 $104.90
2012 $99.90
2011 $115.40
2010 $110.50
2009 $96.40
2008 $96.40
2007 $93.50
2006 $88.50
2005 $78.20
2004 $66.60
2003 $58.70
2002 $54.00
2001 $50.00
2000 $45.50
1999 $45.50
1998 $43.80
1997 $43.80
1996 $42.50
1995 $46.10
1994 $41.10
1993 $36.60
1992 $31.80
1991 $29.90
1990 $28.60
1989 $31.90
1988 $24.80
1987 $17.90
1986 $15.50
1985 $15.50
1984 $14.60
1983 $12.20
1982 $12.20
1981 $11.00
1980 $9.60

Communication from the Public

Name: noiluzn

Date Submitted: 7/11/2023

LACERS Agenda Item: IRMAA/Medicare Part B Only

Comments for Public Posting:
A Medicare rep at CMS told me off the record that the IRMAA effectively penalizes us for saving and investing to boost our retirement income, as encouraged by the City through Deferred Comp, etc. And the IRMAA scaling is wacky. For example, it jumps from $64 for those with total income (taxable and non-taxable) below $123,000 to $164 for those with total income over $123,000.

Communication from the Public

Name: MIKYONG JANG

Date Submitted: 7/14/2023

LACERS Agenda Item: IRMAA/Medicare Part B Only

Comments for Public Posting:

LACERS SHOULD REIMBURSE IRMAA: ANY LACERS' RETIRED MEMBERS WHO PAID 4% CONTRIBUTIONS TOWARD POSTEMPLOYMENT HEALTHCARE BENEFITS DURING THEIR EMPLOYMENT AND ARE ELIGIBLE TO RECEIVE 100% MEDICARE SUBSIDY AT AGE 65, SHOULD NOT PAY ANY ADDITIONAL OUT OF POCKET MEDICARE PREMIUM SUCH AS IRMAA SURCHARGES. IRMAA SURCHARGES (FOR PART B AND D) ARE SUBSTANTIAL AMOUNT FOR RETIREES. THOSE MEMBERS HAVE BEEN DISCRIMINATED BY LACERS AS LACERS DIDN'T REIMBURSE THE FULL AMOUNT PF MEDICARE PREMIUM THEY PAID. AS LONG AS RETIREES ARE ELIGIBLE TO RECEIVE 100% MEDICARE SUBSIDY FROM LACERS, FULL AMOUNT OF PREMIUM PAID SHOULD BE REIMBURSED. MOST OF THESE MEMBERS DIDN'T HAVE TO PAY ANY HEALTH INSURANCE PREMIUM BEFORE MEDICARE KICKED IN. BUT, AFTER THE MEDICARE, THEY HAVE TO PAY AT LEAST ALMOST $1,000 A YEAR AND IT WILL BE KEEP GOING UP. IT'S VERY UNFAIR. LACERS ADMINISTRATIVE COST TO IMPLEMENT THE REIMBURSEMENT OF IRMAA WILL BE MINIMAL AS LACERS PAYROLL SYSTEM ALREADY INCORPORATED 100% OF MEDICARE SUBSIDY ELIGIBILITY. UPON ELIGIBLE MEMBERS ANNUALLY SUBMIT THE PROOF OF THEIR IRMAA PAYMENT FOR PRIOR YEAR, LACERS CAN MAKE ANNUAL ADJUSTMENT FOR REIMBURSEMENT ON RETIREMENT PAYROLL.

Communication from the Public

Name: Michael F. Duran

Date Submitted: 7/21/2023

LACERS Agenda Item: IRMAA/Medicare Part B Only

Comments for Public Posting:
IRMAAs represent a significant additional Federal tax on my health care benefits. I urge LACERS to reach out to the LA City Council and address this issue by enhancing our benefits.

Communication from the Public

Name: Debra DiPrimio

Date Submitted: 7/21/2023

LACERS Agenda Item: IRMAA/Medicare Part B Only

Comments for Public Posting: Medicare IRMAA Penalty
I recently became aware that LA County does NOT make it a requirement to apply for Medicare at age 65, to continue to keep their medical retiree benefit. It appears the County continues to provide full paid medical their 65+ retirees because it was considered as part of their pension plan upon being hired.

I began working for the City of LA, first at DWP on 12/26/1977 and later transferring to LADPW/BSS in 1986. The entire time I also believed the City would cover my retirement medical benefits when I retired after 32+years of service.

Since turning 65 (almost 3 years ago) I have had to pay Medicare & the max IRMAA penalty which this year is $636.93 monthly!!!!!!! This penalty only gets me the same care (Anthem Blue Cross PPO) I was receiving all my career and through my retirement until I turned 65. I am receiving NO benefit from Medicare that LACERS did not already provide. Who is benefitting from this? Not me!

IRMAAs cost our retirees thousands of dollars EVERY YEAR! (IRMAAs are charged to LACERS retirees who are 65+ years old and REQUIRED by you to be in a Medicare plan). The 3% COLAs do not begin to cover the IRMAA penalty for many. (It should be noted they determine your IRMAA penalty based on 2 year prior Tax Return, which can be triggered by a home sale, inheritance, a much needed secondary job income, a spouse still working, etc.)

WHY does the City of LA require its retirees to apply for MEDICARE when other public agencies do NOT?! I can understand having folks apply if they will NOT be affected by IRMAA, but those who are should be exempted from this arbitrary penalty.

My retirement this year alone has been decreased by $7643 OVER a month & a half of retirement income to me! Who benefits from me being required to have Medicare?

You have the ability to direct the Benefits Committee to hire an actuary to explore IRMAA reimbursements (or eliminate) the Medicare requirement for those impacted by IRMAA and to share that information with the CAO.

Communication from the Public

Name: Diane Boose

Date Submitted: 6/19/2023

LACERS Agenda Item: IRMAA/Medicare Part B Only

Comments for Public Posting:

Dear LACERS Board,

As a LACERS retiree, I request that you please support the recommendation on this item. IRMAAs are expensive for retirees and an unforeseen cost for many that can add up to hundreds of dollars each and every month.

Sincerely,
Diane Boose

Communication from the Public

Name: Seanean Colson-Durden

Date Submitted: 6/19/2023

LACERS Agenda Item: IRMAA/Medicare Part B Only Public Comments

Comments for Public Posting:
Dear LACERS Board,

As a LACERS retiree, I request that you please support the recommendations on this item. IRMAAs are expensive for retirees and an unforeseen cost for many that can add up to hundreds of dollars each and every month.

Thank you for your consideration in this matter.

Sincerely,

Seanean Durden

BOARD Meeting: 9/26/2023
Item: VIII-D
Attachment: 2

Outreach Survey

IRMAA Outreach Survey Responses

No. of Responses

354

- Retired LACERS Member: 83.5%
- Active City Employee: 13.5%
- Survivor of a Retired LACERS Member: 2.1%
- Other Stakeholder: 0.6%
- Non-LACERS Member - tax payer: 0.3%

Survey Question: Should the City prioritize funding enhanced benefits for Medicare Part B Only Retirees (approx. 1,375 Members)

Yes: 66% of respondents (234)

- Blue: respondents concurred that the reason the benefit should be provided is because Part B only retirees did not have the option to pay 1.5% FICA as active employees because they joined the City before 4/1/1986.
- Purple: respondents provided their own comments on the next page

No 34% of respondents (120)

- Yellow: respondents concurred that the reason the benefit should not be provided is because these retirees receive a hospitalization benefit in their LACERS non-Medicare plan even though they did not pay 1.5% FICA as active City employees
- Red: respondents provided their own comments on the next page

Survey Question: Should the City prioritize funding enhanced benefits for Medicare Part B IRMAAs for Retirees paying IRMAAs (approximately 1,795 members with LACERS retirement benefits greater than $91,000/yr.)

Yes: 76% of respondents (266)

- Blue: respondents concurred that the reason the benefit should be provided is because the benefit is commensurate with their responsibilities when working for the City
- Purple: respondents provided their own comments on next page

No: 24% of respondents (85)

- Yellow: respondents concurred that the reason the benefit should not be provided is because the enhancement benefits 16% of the retirees who have the highest LACERS benefits
- Red: respondents provided their own comments on the next page

ENHANCED REIMBURSEMENT FOR MEMBERS WITH MEDICARE PART B ONLY

Survey Question: Should the City prioritize funding enhanced benefits for Medicare Part B Only Retirees (approx. 1,375 Members)

Yes: 66% of respondents (234)	No 34% of respondents (120)

COMMENTS *SUPPORTING* REIMBURSEMENT OF THE BASIC MEDICARE PART B PREMIUM FOR MEMBERS WITH PART B ONLY

The following are comments received from the survey.

- 193 respondents agreed with this following statement: YES - Part B only retirees did not have the option to pay 1.5% FICA as active employees because they joined the City before 4/1/1986.

Additional comments:

Summary: Retirees advocating for the reimbursement of the basic Medicare Part B premium for Members with Part B-only highlight the overwhelming financial impact this expense has on their retirement budgets, with some facing monthly costs exceeding $500. They express frustration at the lack of prior information regarding Social Security implications, feeling that they would have made different decisions if adequately informed. These retirees argue for reimbursement as a matter of fairness and equity, ensuring that all retirees are supported in managing unexpected and substantial costs during their retirement years. They stress the need for a solution that considers the changing circumstances and challenges faced by retirees over time.

- The amount is HUGE and unfair at this time of Life...as well as LTC, other $
- Retirees should not have to pay more than the amount prior to age 65 due to limited fixed income. With inflation and limited fixed income, retirees can get a large surprise monthly bill when they turned 65 where they did not have to pay before. In some cases, the bill could be up to $500 a month which will impact their monthly expenses.
- When I turned 65 my quarterly premiums for Medicare Part B was $600. Now I pay $362 monthly. I'm paying over $4300.00 for my out-of-pocket cost for Medicare Part B.
- After 34 years with LA City, I had to choose between my LACERS medical insurance and my spouses LAPRA medical insurance as Medicare accepts only one plan. As a result of a cancer diagnosis, I had to pick LAPRA due to coverage. This caused me to lose my LACERS Medicare supplement, so even though I gave up the medical insurance I was further punished by taking away my supplement. This is entirely unfair and unjust!!
- As long as it is a requirement to join Medicare in order to be covered by a LACERS health plan, the Medicare subsidy should be reimbursed.
- It's the fair approach!
- Many City retirees, like myself, are being penalized for our prior work experience by having our Social Security pension docked because we have a City pension. We worked for that SS pension honestly, and did so in years when we were not working for the City. This is not

COMMENTS *SUPPORTING* REIMBURSEMENT OF THE BASIC MEDICARE PART B PREMIUM FOR MEMBERS WITH PART B ONLY (CONTINUED)

double dipping. This is fairness. This inequity should be fixed and LACERS should be working on solutions to this unfairness.

- Fundamentally I support maximum equitable benefit from the City for each individual who worked for the City (rather than non-working dependents/spouses), but don't know how to answer this question that is not applicable to me and shouldn't create further inequity in providing healthcare as a universal human need. This shouldn't be a tribal war pitting interest groups against each other.
- It is totally unreasonable that an employee hired in 1985 is being treated differently from one hired in 1986!
- I declined the opportunity to pay into ssi back in the 80's but was not informed as to why I would want to pay ssi. My supervisor said they never paid into ssi because the City had their own retirement system. The old guys at the time said no way to ssi. To be fair someone at the city should have explained to me the price I would pay for part B. Most definitely I would have elected to pay ssi if I had known why!! A LACERS guy said us old timers got a raw deal!!
- I'm now told I have to pay part B till the day I die and if I mess up on paying I can't get back in till the next open enrollment and I will pay an additional penalty till the day I die. By not informing me why I should pay ssi back in the 80's can only be called a dirty trick or as my LACERS guy says, we got a raw deal.
- I signed up in 1972 with the City because of the benefit package and stay on for 32 years. I am paying for Part "A" Medicare and only have Part "B". Blue Cross/Blue Shield is actually paying for my medical plan. I do not qualify for Medicare and do not have the 40 working quarters. I started my career for the City of Los Angeles in 1972. At the time the time benefit retirement medical would be paid by the City.
- LACERS should help fund everyone's Medicare premiums. This survey feels biased.
- Cost are going up for retirees
- Much has changed, and continues to change, since these benefits were enacted. I agree that enhancements should be considered, especially if to the greater benefit of retirees.
- The cost is too high otherwise.
- Due to high, still rising inflation rate
- Enhancement was expected at retirement.
- Why did I work 35 years and get promised lifetime medical when I actually do not get lifetime medical. I am required to accept medicare which I have to pay for. I already paid for my benefit.
- Most of these retirees didn't get promoted because they were working too hard for the City. It's only fair that they get better COLA raises now that they're retired.
- Need better benefits
- Every little bit helps all retirees to get more benefits.
- The City should reimburse more than the amount provided by social security.
- To maximizing the medical benefits

COMMENTS *OPPOSING* REIMBURSEMENT OF THE BASIC MEDICARE PART B PREMIUM FOR MEMBERS WITH PART B ONLY

The following are comments received from the survey.

- 83 respondents agreed with this following statement: NO - These retirees receive a hospitalization benefit in their LACERS non-Medicare plan even though they did not pay 1.5% FICA as active City employees.

Additional comments:

Summary: Respondents expressing an opposing view to reimbursing the basic Medicare Part B premium for members with Part B-only question the fairness, financial implications, and relevance of the proposed change. Concerns are raised about the equity in providing these benefits to retirees who did not pay into the healthcare defrayal cost or FICA tax during their employment, and there is a sentiment that those who paid into these systems should not subsidize the benefits of those who did not contribute. Some respondents' express satisfaction with the existing arrangements and believe there is no need for change, while others cite a lack of information and understanding about the issue to form an opinion.

- This seems like a complex issue that has a very direct, important impact on the people dealing with Medicare for pressing health needs. I am not clear if this is a question of morality, finances, or something else. more info please.
- Not enough information to consider a change.
- I know nothing about this issue
- Really not sure. I have noticed Medicare benefits have been reduced
- I don't know enough about how a change would affect the amount we receive in our pension.
- I need more information.
- Because they did not pay 1,5% FICA.
- Not fair they did not pay, simple idea, take care of people who paid in to and worked.
- I don't know for sure what it means. I think it means that people who did not pay in the system need to pay for part B. If that is the case, then I agree with no.
- If these retirees did not pay into the healthcare defrayal cost and/or FICA tax, then what justify for the reimbursement "priority"?
- Since other employees didn't earn it and are not entitled
- Only those retirees that paid for Medicare as an active employee should receive the enhanced benefit for reimbursement of both Medicare basic premiums and IRMAA's.
- Retirees that paid into Medicare, as an active employee should receive an enhanced benefit to pay for their basic Medicare, premium and Erma's because they have earned them. Those retirees that earn less than the maximum retirement benefit, must supplement their retirement income with supplemental retirement funds that caused them to incur And Irma. Those retirees that did not pay into Medicare during their employment should not receive these enhanced benefits regardless of whether they had the opportunity or not to pay the 1.5% FICA payroll tax. The retirees that paid this tax should not subsidize those that did not.
- No, why should I be penalized by paying for their reimbursement.

COMMENTS *OPPOSING* REIMBURSEMENT OF THE BASIC MEDICARE PART B PREMIUM FOR MEMBERS WITH PART B ONLY (CONTINUED)

- Many people retired early on the backs of active employees. Why should we subsidize more of retirees benefits? Also, if I'm a single individual, would enhancing benefits for retirees with spouses or children mean I'll be subsidizing their benefits as well?
- Retiree health benefits costs have increased by legislators who didn't consider the impact to everyone who needs it. Passing these costs onto current employees shouldn't be the only option.
- It is sufficient
- I really don't know why it has to be changed if it's working
- It seems to be ok for now
  I think it is satisfactory
- Those members contributed less than 6% during their City active years
- Relatively small number of retirees affected.
- It is fair for all

ENHANCED REIMBURSEMENT FOR MEMBERS WITH MEDICARE PART B INCOME RELATED MEDICARE ADJUSTMENT AMOUNTS "IRMAA"

Survey Question: Should the City prioritize funding enhanced benefits for Medicare Part B IRMAAs for Retirees paying IRMAAs (approx. 1,795 members with LACERS retirement benefits greater than $91,000/yr.)

Yes: 76% of respondents (266)	No: 24% of respondents (85)

COMMENTS *SUPPORTING* REIMBURSEMENT OF THE MEDICARE PART B IRMAA

The following are comments received from the survey.

- 222 respondents agreed with this following statement: YES - the benefit is commensurate with their responsibilities when working for the City

Additional comments:

Summary: Retirees voicing their support for the reimbursement of Medicare Part B IRMAA (Income-Related Monthly Adjustment Amount), cite various reasons for their endorsement. A common sentiment is the belief in the City's promise to provide them with full medical coverage for life. The introduction of IRMAA expenses post-retirement is seen as a breach of this assurance, leading to concerns about the fairness and equity of the retirement system. Another recurring concern is the unexpected nature of IRMAA expenses. Many retirees did not factor in these additional costs when planning their retirement, which can significantly strain their budgets, especially as healthcare needs tend to increase with age. Additionally, IRMAA expenses can be triggered not only by earned income but by the cash payout at retirement, the required minimum distribution at age 73, inflation, a home sale, municipal bond interest, and capital gains, further complicating financial management on a fixed retirement income. IRMAA expenses are viewed as an unforeseen and unavoidable financial burden that erodes the benefits they were promised for their years of service, effectively penalizing them for choosing careers with the City. Some retirees emphasize that the IRMAA-related impacts are exacerbated by the existing Windfall Elimination Provision (WEP) and Government Pension Offset (GPO) rules, which already affect their Social Security benefits. The rising cost of living and inflation are significant concerns as well. Retirees stress that IRMAA expenses, combined with the general increase in living expenses, are challenging to manage without assistance, particularly for those with fixed incomes.

- It is wrong to hit them with this after they retire, and it's not necessary because of the money that they saving the city by being older than 65. You ought to be ashamed of yourself. You promised them full medical coverage when they retired and that's what they should get. Don't use the fact that they working to not pay the Irma.
- Currently my wife who had 35 years of service with the city is required to pay $450 per month for medical health insurance. I will be in the same boat next march. This means we will be paying nearly a $1000 a month for health insurance we were promised to be paid for by the city for the rest of our life
- I already paid for this benefit while employed by paying FICA taxes to cover Medicare and an additional 4% toward healthcare benefits. We had no prior knowledge before retiring this would be imposed on us by the Federal Govt and Medicare. Perhaps, if we had known, many of us would have continued working. Also, DWP reimburses IRMAAs if there is excess subsidy. In equity to all LACity employees, LACERS should do the same to dispel the great difference in the 2 City pension systems
- Not only will greater enhanced coverage of IRMAA costs reflect these employees' major contributions to the City when we were active employees, but the income-based IRMAA premiums have become a real drag on our retirement benefits, greatly diminishing our end net amount. This was unanticipated and unavoidable when we retired from the City. We are now being penalized for wanting to work for the City as a rewarding career choice. Heretofore, our retirement benefits did not take this into consideration and it is needed to level the playing field with other retirees. Proportionately, we may have ended up netting less compared with other retirees.
- As incomes continue to rise, more members will be required to pay IRMAA adjustment, thereby reducing the actual value of the 100% medical promised after 30 years of service. Additionally recent retirees were required to contribute to retiree medical care when they were active employees. All current City employees are required to contribute funds towards future retiree medical costs. City staff hired after 1986 made contributions to FICA, etc and are now being penalized for the pension benefits they receive. In many cases, employees with $0 premium costs through the HMO are now paying up to $600 in monthly IRMAA costs. The premium costs to for the Kaiser Senior Advantage are significantly less than the monthly IRMAA payment.
- Premiums are much higher than anticipated. With inflation and every price going up, it is hard to make ends meet for many. The City promised to cover medical costs for retirees. IRMAAs make this a stretch for many.

- I retired at 37 years. I always knew that after 25 years with the City, medical insurance was 100% paid. I knew about Medicare, but never IRMAA. I became a widow at age 61, and subsequently had to file income tax as "single". It put me into a higher tax bracket with the combined survivor income showing as just mine. There appears to be no consideration for widows as far as income for IRMAA. I never had to pay for medical coverage while working or up to age 65 when I enrolled in Medicare. The IRMAA portion I pay after my current City reimbursement for Part B is $314.40. The City of Los Angeles provides one of the best benefits packages. It was a major factor in my career for 37 years. Never had a complaint about what was provided. Now, as a "senior" I find my expenses to be higher with insurance that I thought was going to be 100% provided upon my retirement.
- Very expensive and was promised full medical and dental benefits
- The issue is not so much the IRMAA for retirees with a pension of greater than $91K; it is the lower pension employees who are pushed into IRMAA brackets when taking capital gains, which fluctuate year to year
- SIP retirees were bumped into a higher tax bracket due to the cash payout and therefore subject to the IRMMA higher income limits with no prior warning. Enhanced benefits should have been provided to prevent this added tax on the SIP retirees. The point of the SIP program was to help the city reduced cost to city budget during the pandemic economic hit, yet it was the retirees that ended up getting penalized with this voluntary program.
- Retired in 2022. Pension income is about $100K but IRMAA was almost $600 per month due to vacation/sick payout. I filled out SSA forms and brought IRMAA down to 2nd tier. Because of high cost of IRMAA I cannot invest personal funds because added income will bump me back up to higher tiers again.
- At age 73 RMD's from IRA's and deferred comp will push more retirees into the higher IRMAA categories. This will greatly increase health care costs to retirees.
- A retired member, single tax filer or married filing separately has a higher possibility of triggering IRMAA as soon as mandatory withdrawals from Deferred compensation takes place. In addition, there will be no incentive to try to make any additional income after retirement like a part time job or investing in anything to enhance retirement income due to possibility of triggering IRMAA. A retired member should be able to be enhance retirement income without the fear of triggering IRMAA
- Yes. IRMAAs are triggered when members are pushed into higher tax brackets by inflation. Some are pushed into higher income (and IRMAA tax) brackets because of a house sale to downsize in retirement or Required Minimum Distributions. Employees promised 100% medical after 30 years of service are being penalized and the benefit is diminished because of the IRMAA penalty
- IRMAA IS EXPENSIVE. INCOME FROM THE PENSION, SALARY FROM WORKING AS A RETIRED SUB, AND TAX-FREE MUNICIPAL BONDS TRIGGERS A HIGH IRMAA MONTHLY BILL.
- IRMAA is excessive for a SINGLE person with a pension who has worked for 36 years. It is unfair that IRMAA calculates earnings from earnings from municipal bond interest which is low in order to benefit municipalities. Add in 457b RMDs and IRMAA becomes EXCESSIVELY

expensive. Also, I am a retired city "as needed" employee. FICA MEDICARE IS DEDUCTED from these paychecks. Further, my social security has been reduced to $0 because of GPO, Government pension offset rule. IRMAA IS EXCESSIVE because it is based on pension,457 distributions, tax free bonds, and salary of a retire which has a FICA MEDICARE TAX.

- IRMAA fees should be reimbursed for retirees who have windfall or infrequent exceptional earnings, however those retirees who regularly collect benefits greater than the IRMAA threshold should be excluded. The basic IRMAA calculation seems to be regressive, in that it penalizes those who have a one-time spike in income due to a major life changing event. Retirees whose pension earnings alone trigger an IRMAA certainly have the income to pay the additional cost sharing amount, whereas those who collect lower pension amounts would be significantly burdened. IRMAA was developed to fund Medicare and strengthen the system for all retirees
- Our ss benefits are already impacted by "windfall effect" for those of us who worked and contributed to ss for 20yrs., in my case. in my case, i only receive $617.49 per month from ss after contributing full benefits as a social worker with county if Los Angeles.
- If a LACERS retiree had contributed to the Social Security System via employment outside of "government" and upon full retirement age (federal) their retirement monetary benefit will be deducted significantly per SSA ruling. The deduction of SS retirement funds and paying IRRMA is a bit excessive to a retiree. Either include reimbursement of IRRMA payments to the LACERS retiree or adjust the monthly benefit to include the loss of SSA monetary benefits. Members of LACERS are proud of what they have achieved through their service with the City of LA. It has been noted in various circles that LACERS has one of the best retirement systems in the nation. LACERS is a system to be proud of. To help its members receive every cent deserved to them would make the LACERS system stronger and well respected among its members, both active and retired
- Yes, not right for SS to add added fees, if u need to work after retirement for more money u should not be penalized, LACERS should reimburse for IRMAS to combat the high economy.
- one time in 2021 (2021) a returned to the amount it had been previously in 2022. My Social Security amount was already adversely impacted by the Windfall Provision. Since my income increased for only one year, I think it would be more equitable for the IRMMA to be applied on only a case-by-case basis and not include income higher for only one year.
- Most of your retired city workers don't make that much money, but when filing jointly married with a spouse who works full time, the IRMMA goes way up from $169 a month to $297 per month which is a lot of money taken away from the Social Security Benefit if you had worked prior to joining the City of LA.
- Because the SSA surcharges retirees' Medicare Part B so they should receive reimbursement especially if they are not using their full subsidy because their health plan costs are less. I know this is soooo late but I think LACERS should pay for part B of Medicare for retirees who only have Part B of Medicare because they may be people who spent their whole life working for the City. So if they spent 25 plus years with the City as their single employer, they should get their Medicare paid for just like those who may have worked for other employers.

COMMENTS *SUPPORTING* REIMBURSEMENT OF THE MEDICARE PART B IRMAA (CONTINUED)

- Unfortunately, it comes at a time when more of one's resources are already being spent on healthcare related expenses. Prior to turning 65, this expense wasn't a factor. This additional financial burden comes at a time when we require more from the healthcare system and our out-of-pocket expenses are more. There are costs that you don't even consider until you have a need, e.g., parking, gasoline to get to and from doctors' appointments, expensive medications, etc. I recently spent $15.00 dollars a day for five days to visit my wife while she was hospitalized
- Active employees contribute 11% to LACERS, which included 4% healthcare Defrayal & 1% for ERIP, with the additional 1.5% for FICA Medicare. At 65, retirees are required to enroll in Medicare which saves the City money. But the reimbursement amount is so low that it does not cover the premium. The City needs to raise the reimbursement amount above the "basic" level. We contributed to the healthcare defrayal cost while active, so the City should at least help us with premium cost. With high inflation and rising cost across the board, retirees are feeling the pain in the pocket book. With high inflation and rising costs across the board, please consider raising the reimbursement level to help retirees during our twilight years without having to worry about paying our soaring medical bills.
- The IRMA monthly cost is a significant income drain that was not planned or anticipated when I planned my retirement in 2017. This will become an bigger drain to our budget, which is largely based on my retirement income, when my wife turns 65 later this year and also must go onto Medicare. This additional IRMA including mine will be close to $1000 per month and will effectively reduce my retirement benefit by 7%. This is a huge negative impact to our budget and what we expected to receive from the City after 43 years of service. The IRMA for my wife and I effectively reduces my retirement benefit by 7%.
- When both my husband and I retired from the before we turned 65, we were unaware of the impact the IRMAA would have on our monthly income. Consequently, when we began obtaining Medicare we were shocked at amount that we would EACH have to pay. This year our Part B IRMAA was $263.70 and our Part D IRMAA is $50.70. So my total per month is $314.40. My husband, who is now in social security, can offset that amount from his Medicare.
- As we age, we worry about the likelihood of needing to hire caregivers and this monthly income would be helpful for that purpose as those costs increase as well as our population ages.
- I pay $636.95/monthly to IRMAA which is more than one month of pension benefits a year. I should NOT be penalized by IRMAA in order to receive my LACERS medical care which I worked 35 years to receive. Those who must pay IRMAA should be allowed to opt out of signing up for Medicare with no change in their pre-65 medical through LACERS!! Other Civil Service retirement pensions do NOT require their retirees to sign up for Medicare to receive their medical benefits. LACERS should be no different! Instead of reimbursing the IRMAA penalty, the City could give those employees impacted the option to apply for Medicare knowing that they will have to pay an IRMAA penalty, or they can chose NOT to apply and continue to receive their pre-65 health benefit plan from LACERS.

COMMENTS *SUPPORTING* REIMBURSEMENT OF THE MEDICARE PART B IRMAA (CONTINUED)

- What a no-brained win that would be for so many of us impacted by this unexpected and painful reduction in our pension benefits! I pay $636.90/monthly to IRMAA (or $7642.80 yearly) so I am losing 1-1/2 months of my yearly pension goes to pay this penalty. Do the right thing for your retirees and get rid of this requirement to apply for Medicare or reimburse the cost of the penalty you are forcing your retirees to incur.
- Any and all enhancements will help all Retirees! More is better than less, thus would keep up with an inflationary society! They would view it in a positive way!
- Retirees should have an enhanced benefits for Medicare Part B since inflation is getting higher than expected.
- Inflation, eventually benefits watered down with time. Why are all people around me not p paying into get it all, mad as hell.
- It is part of the premium. Shouldn't be penalized for working to keep pace with inflation
- Retirees should not have to pay more than the amount prior to age 65 due to limited fixed income. With inflation and limited fixed income, retirees can get a large surprise monthly bill when they turned 65 where they did not have to pay before. In some cases, the bill could be up to $500 a month which will impact their monthly expenses. Retirees already have a hard time making ends meet with high inflation and rising housing rental. Any addtional expenses we didn't have to pay prior to 65 should remain the same after 65.
- cost of living is so high in California that $91,000 is not a high enough pension to not be impacted by the substantial increase from IRMAA. Each year more people will be affected by this because of the increase in salaries of current employees who will be retiring and because of our COLA in this high inflation period
- Employees should not penalize because they earned a higher income.
- Benefits greater than $91,000 per year is not an exuberant amount in the Los Angeles area. More and more retirees will have to pay IRMAAs in the future impacting them financially, along with the Windfall Elimination Provisions. As long as it is a requirement to join Medicare in order to be covered by a LACERS health plan, as much of both Medicare and IRMMA costs as possible should be reimbursed. Even with a full IRMAA reimbursement to the highest paid employees, the cost savings to the City is still measurable.
- 1). These retirees had high level positions with a lot of responsibility.

2). Because of the IRMAA premiums, these members pay far more in premiums for comparable care than retirees under 65 years old. Because of the additional IRMAA premiums, these retirees pay substantially more in premiums than retirees who are under 65 years old for comparable benefits & coverage.

- I don't know as i pay higher premium based on income. I'm just great full for the benefits I have.e
- The IRMAAs are unfair based on our retiree status and cost prohibitive - especially for the Part D!
- Not only do I pay for IRMAA Parts B and D but my husband also has to pay both IRMAA's since we file joint income taxes. The premiums plus the IRMAA surcharge is an undue burden especially for him since he only receives a social security check, It unfairly impacts retirees under 65 while they are ineligible for Medicare. There is no out of pocket expense while you are retired

COMMENTS *SUPPORTING* REIMBURSEMENT OF THE MEDICARE PART B IRMAA (CONTINUED)

- It's the fair approach! I think it's just a matter of being fair. I was subject to the increase because I received a one-time incentive payment to retire in 2021. I should not have to pay the increased amount because my annual pension is about $80,000 annually.
- Many of the decisions governing current benefit rates and requirements were made years ago. The reasons and rationale for those decisions are no longer valid. It is time for new consideration to be given these and other benefits, etc.
- Yes Since those retirees who were active employees prior to 4/1/1986 are not able to get reimbursed for Medicare B only reimbursement therefore they should get reimbursed for the IRMAAs as well. As mentioned those retirees who were active employees prior to 4/1/1986 were not able to receive the Medicare Part B Basic Premium Reimbursement which needs to be reviewed.
- City should assist with the IRMAAs or at least allow retirees to use any unused or remaining portion of medical subsidize to pay for the IRMAAs. The City already subsidizes our health insurance with a fixed amount of allowance monthly. So if retirees do not use all allowance to pay for medical subsidize then any remaining amount should be allowed to be used to pay for the IRMAAs. There is no extra cost for the City because the City is already set aside and obligated
- I worked 35 years with the City and I had a total of four of us on my Kaiser medical plan and paid very minimal for the family health plan till my boys were 24 years old. Once you are retired you may be facing these same concerns, it is while you are still working that you need to concerned about making changes before you are retired.
- Retirees need a break!
- Retirees/Seniors need better benefits
- CA
- Help our hurting economy, help the president with his actions, win win.
- No extra payments during retirement.
- Increase the IRMA Reimbursement amount by at least an additional of $100.00

COMMENTS *OPPOSING* REIMBURSEMENT OF THE MEDICARE PART B IRMAA

The following are comments received from the survey.

- 54 respondents agreed with this following statement: NO - keep current level of benefit - the enhancement benefits 16% of the retirees who have the highest LACERS benefits

Additional comments:

Summary: Survey respondents opposing reimbursement of Medicare Part B IRMAA costs generally argue that it may not be fair or financially sustainable to provide such reimbursement, emphasizing the affordability of IRMAA for those with higher pensions. Some respondents express confusion or a lack of information regarding the issue, making it difficult for them to form a strong opinion. There is a sense that those who did not pay into the healthcare defrayal cost or FICA tax during their employment should not receive enhanced benefits, including IRMAA reimbursement.

- They make enough money.
- If they make that much money why prioritize them. Help those in need first especially the ones who get less retirement money
- No. Most part B payees are not near $91,000 pay grade. Part B Medicare payees are in need of immediate assistance, now.
- If funding is coming directly from the City or from those members who would benefit, then it would be fine. Otherwise, if you're making over $91k, then you should be able to afford the IRMAA. Question is who will be paying to enhance the benefit? Even if each employee were to pay for their own enhanced benefits, what would happen to the money they paid if they died prematurely? Would the money be given to their beneficiary or lost? I doubt the City would want fund this by itself.
- We are so lucky to receive a pension and benefits. I think the high income retirees can afford to pay the extra to part B. We need to control expenses, so everyone will continue to receive pensions and health benefits. To me this proposal is an “extra” that should not be approved.
- Most of the retirees don't make 91K per year anyway. The ones making more can pay more. Us who make less still have to pay more than the $167/month if we have a working spouse and file a joint and married return. SSA checks the last year's income tax return to figure out how much to charge you for the IRMAA. California
- Should be for low income
- greater than $91,000.00 they are not in poverty level like people at $34,000,00or below. i wish this was not a taxable item,,, $2,045.00 a year added come tax time,,, and that extra amount that I'm paying puts me a tab above poverty level when i try for assistance and i do not qualify because I'm 700.00 above the limit to qualify,,,, I wish this was not in my pay check,,
- The IRMAA is unfair however the City and Country is all about people who are poor so LACERS should not bother attempting to help people who make money because it won't work
- high income retirees have a responsibility to pay their fair share.
- I pay for Medicare while living on $1700 disability retirement a month which is around $24700 a year, If I can live on $1700 without enhancement I do think a person with retirement benefits of at least $91,000 should NOT get enhanced retirement benefits. I worked 18 years and still have to pay for Medicare. I have had health issues since 1984 and have been without

insurance for COBRA was too expensive with no income. We (retires) need more assistance with medical care. We need enhancements to have a decent livable life in retirement. I am close to homelessness, thats not good for a Retired City Employee who gave her all for the City Of Los Angrles

- Retirees receiving >$91,000 can afford to pay IRMAAs. LACERS isn't an inexhaustible retirement fund. Retirees can afford to pay IRMAA.
- happy with what is there. suspicious of intent
- We are retired and was promised insurance. now that we must live on our retirement income the government proposes to reduce our benefit and our standard of living. Please just leave us alone, with what we were promised, and we will take care of ourselves. CA
- I like the benefits I have now. Benefits are suitable for me.
- So far, I have been very happy with all decisions that have been made
- I need more information. More information to be distributed to members.
- I don't know anything about this issue which is why I'm attending. Will be retiring in a few years.
- Not enough information to consider a change. Need more information to make an argument.
- Not sure what this all means. I do not want my benefits to run out before I die and or my wife. If increasing these benefits shortens my retirement or reduces my monthly stipend. I'm not for that and no way am I ever going to be making more than $91,000/yr.
- Don't want to be penalized and pay for already retired employees. Seriously, cut my pay to compensate for they system's failure to advise employees to apply promptly. I don't want to pay reimbursement fees for people who have already retired. I still currently paying for those who took the early retirement package deal. Employees should be advised to sign up for Medicare Part B as soon as they decide to retire to avoid late penalty fees etc.
- Retiree health benefits costs have increased by legislators who didn't consider the impact to everyone who needs it. Passing these costs onto current employees shouldn't be the only option. Retiree health benefits costs have increased by legislators who didn't consider the impact to everyone who needs it. Passing these costs onto current employees shouldn't be the only option.
- Real issue needs support from groups like LACERS -- IRS rules re: IRMAA calculation should be changed. The withdrawal of funds from an IRA to buy in to a Continuing Care Retirement Community is considered "income" and IRMAA payments are increased for 2 years even though retiree never actually sees the funds. This is on top of losing to 25% of the payout to federal taxes. This is a penalty that should be addressed legislatively.
- Since other employees didn't it and are not entitled. Employees are not entitled after they earn it
- LACERS should not be burdened. I don't see any position, only if grace is given.
- My Medicare premiums are ridiculous.
- California
- CA
- NV

BOARD Meeting: 9/26/2023
Item: VIII-D
Attachment: 3

Medicare Part B & IRMAA

Member/Stakeholder Feedback Meeting

LACERS

Rev. July 2023

Agenda

- ❖How we got here
- ❖What is Medicare?
- ❖Medicare Part B Only
- ❖What is an IRMAA?
- ❖Important Information

Member comments

“The requirement to pay IRMAAs can catch retirees off guard. They can be triggered by Required Mandatory Distributions requirements from the City’s deferred compensation plan as required by the IRS, or by a retiree sale of a home. Shifting more of the medical expense burden to retirees is unfair especially when LACERS retiree health plan is one of the best-funded retiree healthcare plans in the country!”

"What would help is just give me what is due and stop the Windfall Elimination Provision and Government Pension Offset."

“Medicare Plans Save LACERS Money. These savings should be used to fund IRMAAs and Part B reimbursements.”

“We paid FICA taxes of 1.45% for the Medicare benefit while active City employees yet we must pay more out of pocket under Medicare”

"My stance is to increase the reimbursement affected by IRMAAs independently of the COLA index."

“DWP reimburses for IRMAAs if there is an excess subsidy. Having LACERS reimburse IRMAAs up to the subsidy amounts would cure this glaring difference in the way the two City pension systems administer their retiree medical benefits.”

Roles

1

CITY COUNCIL

- The Decision-maker
- Prioritizes expenditures of the City
- Adopts ordinances

2

STAKEHOLDERS

- Make their opinions known
- Advocates for or against a position

3

LACERS

- The Administrator of Benefits
- Ensures rules and legal requirements are followed

Understanding Medicare Basics and Income Related Monthly Adjustment Amounts (IRMAA)

LACERS

Attention

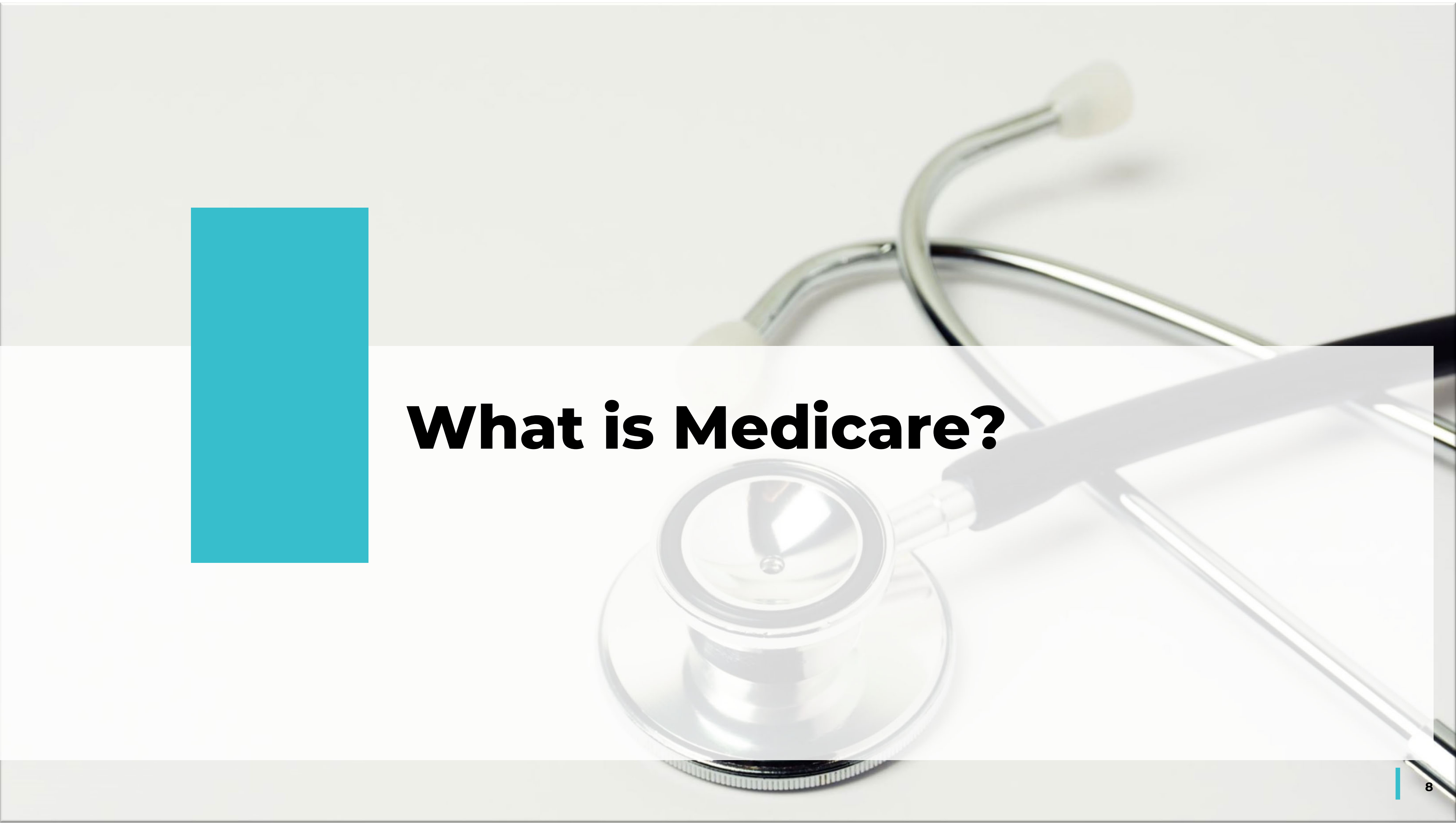
- **This presentation is intended to provide a summary of the benefits established by the Los Angeles City Charter, Los Angeles Administrative Code, and LACERS Board Rules (referred to as the Plan provisions). In the event of discrepancies in this presentation the Plan provisions will govern at all times.**
- **Information provided in the presentation regarding the rules under the Centers for Medicare and Medicaid Services (CMS), as well as Social Secuity office, may be subject to change and are not within LACERS control.**
- **Representatives of LACERS cannot offer financial, legal, or tax advice. Please consult with your financial planner, attorney and/or tax advisor as needed.**

As a covered entity under Title II of the Americans with Disabilities Act, the City of Los Angeles does not discriminate on the basis of disability and, upon request, will provide reasonable accommodations to ensure equal access to its programs, services and activities.

A Note for Active Members

You're ahead of the game!

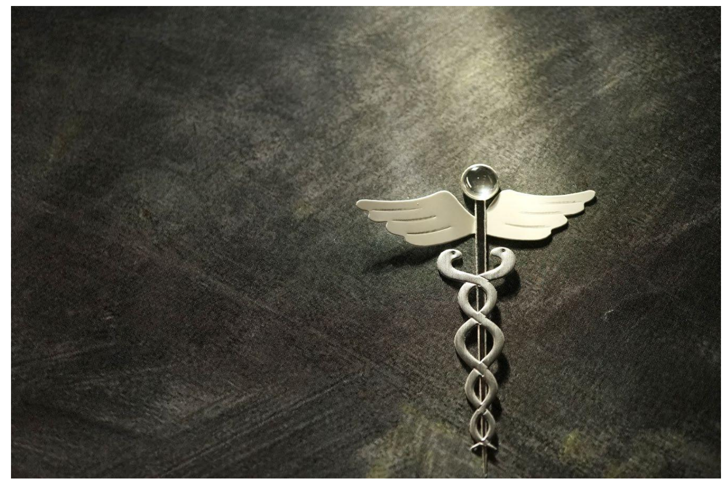
- **This presentation is designed for Retired Members approaching Medicare age.**
- **Members who are still working for the City of Los Angeles do not have to apply for Medicare until they retire. Active health benefits are provided by Employees Benefits.**
- **Please be sure to contact LACERS if you or your dependent(s) are Medicare age at the time of retirement.**



What is Medicare?

Medicare Basics

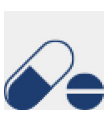
- Medicare is federal health insurance for anyone age 65 and older and some people under 65 with certain conditions.
- Medicare assists with the cost of health care, but it does not cover all medical expenses or the cost of most long-term care.
- Established in 1966 and has been expanded various times over the years.
- Managed by the Centers for Medicare & Medicaid Services (CMS).



Parts of Medicare

Part A (Hospital Insurance): Helps cover inpatient care in hospitals, skilled nursing facility care, hospice care, and home health care.

Part B (Medical Insurance): Helps cover services from doctors and other health care providers, outpatient care, home health care, durable medical equipment, and many preventive services.



Part D (Drug coverage): Helps cover the cost of prescription drugs.

LACERS Medicare Requirements

As a LACERS retiree, enrolled in LACERS Health plan, the following are the requirements when you or you dependent(s) turn age 65.

Los Angeles Administrative Code 4.1111(f), 4.1126(e) and LACERS Board Rules HBA 2(d) require, that you or any of your dependent(s) (covered on your medical plan) become Medicare eligible, you or your dependent(s) are to:

- **Enroll in Medicare Part B and maintain coverage.**
- **Enroll in Medicare Part A only if you are entitled to it premium-free (i.e., at no cost).**

If you retire at age 65 or older, and/or have dependent(s) (covered on your medical plan) over age 65, Medicare allows you and/or your dependent(s) to defer enrollment in Medicare Part B until you retire. This is known as a Special Enrollment Period (SEP).

When to Enroll in Medicare

It is recommended that you enroll in Medicare:

- **Three months before turning age 65**
- **No later than three months after the month you turn 65**

If you are an Active employee, you will enroll in Medicare at the time of retirement and required age.

The effective date of your Medicare will be determined based on the month you applied for Medicare.

LACERS does not enroll Members into Medicare. Please contact the Social Security Administration to sign up for Medicare.

Medicare Part B Only

Medicare Part B Only

City of Los Angeles employees hired <u>before</u> April 1, 1986, were not paying into Medicare under the Federal Insurance Contributions Act (FICA).

- **These employees do not qualify for Medicare Part A, premium free, solely through their City employment.**

City of Los Angeles employees hired <u>on or after</u> April 1, 1986, are paying into Medicare.

- **Will be eligible for Part A premium free after ten years of employment**
- **Current FICA rate for Medicare is 1.45% for the employee and employer**

Medicare Part B Only

Los Angeles Administrative Code 4.1111(f), 4.1126(e) and LACERS Board Rules HBA 2(d) require, that when you or any of your dependent(s) (covered on your medical plan) become Medicare eligible, you or your dependent(s) are to:

- Enroll in Medicare Part B and maintain coverage.
- Enroll in Medicare Part A only if you are entitled to it premium-free (i.e., at no cost).

If you do not qualify for Medicare Part A premium free, you only need to enroll into Medicare Part B

Medicare Part B Only

LACERS Members with Medicare Part B only:

- **Medical subsidy is the same as the subsidy for the non-Medicare Members**
- **Are <u>not</u> eligible for the basic Medicare Part B premium reimbursement**
- **Must maintain their Medicare eligibility**
- **Medical plans available are not the same Medicare benefits as those available for A&B Members, except for the Kaiser Senior Advantage HMO plan.**
- **Although Medicare Part B Only Members are not eligible for Medicare Part A, Members who are enrolled in LACERS retiree health plans, have hospitalization as part of their benefits.**

Medicare Part B Only

Medical plans available for Members with Medicare Part B only:

- Anthem HMO
- Anthem PPO
- Kaiser Senior Advantage HMO

The Anthem HMO and Anthem PPO plan benefits for Part B only Members are similar to the non-Medicare Anthem plans.

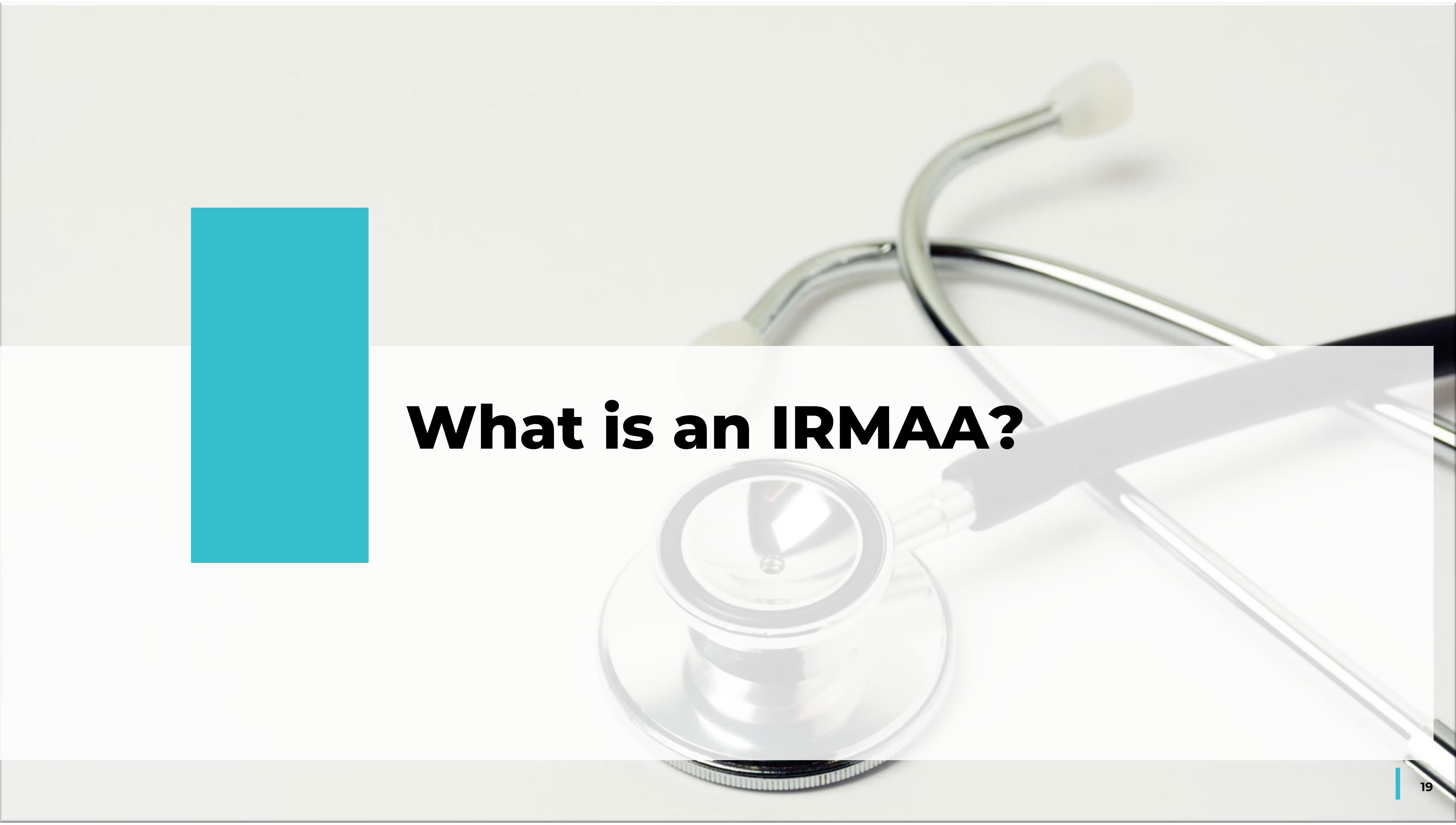
The Kaiser Senior Advantage HMO plan is the same for Part B only and A&B Members.

Medicare Part B Only

Why can Medicare Part B Only Members enroll in Kaiser Senior Advantage Plan, but not in other Medicare Plans, such United Healthcare (UHC), SCAN, and Anthem Advantage Preferred PPO?

Kaiser Senior Advantage Plan was approved by CMS to allow LACERS Medicare Part B Only Members to enroll in this Medicare Plan, with Medicare Part A benefits.

Currently, LACERS other Medicare Plans, such as UHC, SCAN, Anthem Advantage Preferred PPO are not approved by CMS to allow LACERS Medicare Part B Only Members to enroll in these plans.



What is an IRMAA?

Income Related Monthly Adjustment Amounts (IRMAA)

- IRMAA was developed by the Federal Government as a cost–sharing to fund Medicare benefits and to strengthen the financial stability of the Medicare program.

- Social Security is required by federal regulation to assess Part B and Part D IRMAAs to those who have a higher income.

- When the Medicare enrollee's Modified Adjusted Gross Income (MAGI) amount from two years prior exceeds a certain threshold, Medicare assesses an IRMAA, which is a surcharge on top of the basic Medicare Part B and D premium rates.

- The MAGI may include but not be limited to employment earnings, investment income, capital gains on the sale of real estate, and/or gambling winnings in addition to the retirement allowance.

HOW IS AN IRMAA DETERMINED?

Tax Return

Social Security uses the most recent federal tax return the IRS provides. Generally, this information is from a tax return filed two years ago. For example, for the 2023 IRMAA determination, the most recent federal tax return is the one filed in 2022 for tax year 2021.

Income

The IRMAA is based on your modified adjusted gross income (MAGI) which is the total adjusted gross income and tax-exempt interest income. The income levels are adjusted each year.

Filing Status

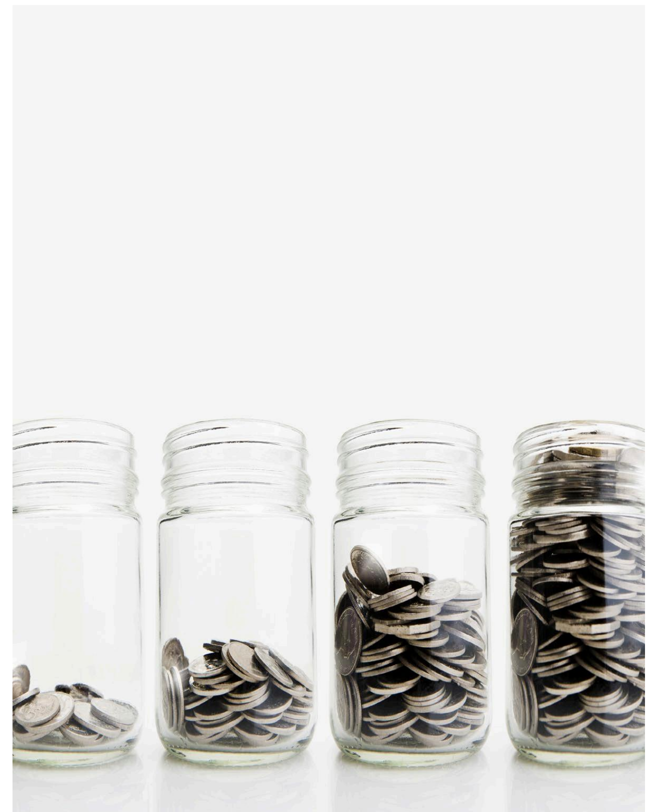
The income levels are different for someone who files as single or married filing jointly.

WHO WILL BE ASSESSED AN IRMAA?

You will pay the Medicare Part B and Part D IRMAA if your modified adjusted gross income, as reported on your IRS tax return from two years ago, is more than:

- **For 2023, $97,000 yearly income made in 2021, if you file an individual tax return or are married and file separately.**
- **For 2023, $194,000 yearly made in 2021, if you are married and file a joint tax return.**

Social Security will tell you if you have to pay a higher premium because of your income.



HOW LONG DOES AN IRMAA LAST?

- An IRMAA is calculated every year using your income data provided by you to the IRS.
- You may have to pay an IRMAA one year, but not the next if your income falls below the threshold.
- If your taxable income increases, then you may be subjected to the IRMAA.
- Social Security will notify you of any changes.

Do I Have to Pay the IRMAA?

- **Yes, if you are assessed an IRMAA by Social Security, you must pay the Medicare Premiums AND IRMAA.**
- **You must pay the Medicare Premiums and IRMAA to Social Security directly.**
- **LACERS does not make any payment on behalf of the Member and does not collect any payment.**
- **Your Medicare coverage and therefore your LACERS medical coverage will be terminated if you fail to pay Medicare premiums and any IRMAAs.**
- **LACERS does not assess the IRMAA. Please contact Medicare or Social Security for more information.**

LACERS

What happens if you fail to pay your Medicare Part B premiums & IRMAAs?

- Your Medicare Part B will be **terminated** by the Center for Medicare & Medicaid Services (CMS).
- You and your dependent(s)' LACERS medical plan will be **terminated**.
- You will **no longer** be eligible for a medical subsidy and will be responsible for the full premium payment.
- If you are receiving a Medicare Part B Basic reimbursement, your Medicare Part B Basic reimbursement will be **terminated,** and you will be responsible for the repayment of the reimbursement.

What happens if you fail to pay your Medicare Part D IRMAAs?

- **Your Medicare Part D coverage will be terminated by the Center for Medicare & Medicaid Services (CMS).**
- **You and your dependent(s)' LACERS medical plan will be terminated.**
- **You will no longer be eligible for a medical subsidy and will be responsible for the full premium payment.**
- **If you are receiving a Medicare Part B Basic reimbursement, your Medicare Part B Basic reimbursement will be terminated, and you will be responsible for the repayment of the reimbursement.**

Ways to Pay Your Medicare Premium(s) and IRMAAs

You are responsible for paying your Medicare premium(s) and IRMAAs to Medicare directly.

- **LACERS DOES NOT process your Medicare payments.**
- **LACERS CAN NOT directly pay your Medicare premium from your LACERS' monthly allowance.**

Important Information

LACERS

2023 Part B IRMAA Income Bracket

If your yearly income in 2021 (for what you pay in 2023) was			You pay each month (in 2023)
File individual tax return	File joint tax return	File married & separate tax return	
$97,000 or less	$194,000 or less	$97,000 or less	$164.90
above $97,000 up to $123,000	above $194,000 up to $246,000	Not applicable	$230.80
above $123,000 up to $153,000	above $246,000 up to $306,000	Not applicable	$329.70
above $153,000 up to $183,000	above $306,000 up to $366,000	Not applicable	$428.60
above $183,000 and less than $500,000	above $366,000 and less than $750,000	above $97,000 and less than $403,000	$527.50
$500,000 or above	$750,000 or above	$403,000 or above	$560.50

2023 Part D IRMAA Income Bracket

If your filing status and yearly income in 2021 was			
File individual tax return	**File joint tax return**	**File married & separate tax return**	**You pay each month (in 2023)**
$97,000 or less	$194,000 or less	$97,000 or less	your plan premium
above $97,000 up to $123,000	above $194,000 up to $246,000	not applicable	$12.20 + your plan premium
above $123,000 up to $153,000	above $246,000 up to $306,000	not applicable	$31.50 + your plan premium
above $153,000 up to $183,000	above $306,000 up to $366,000	not applicable	$50.70 + your plan premium
above $183,000 and less than $500,000	above $366,000 and less than $750,000	above $97,000 and less than $403,000	$70.00 + your plan premium
$500,000 or above	$750,000 or above	$403,000 or above	$76.40 + your plan premium

LACERS and IRMAA

- LACERS does not have jurisdiction towards the requirements related to IRMAA. Medicare is a federal health insurance for people 65 or older and is a separate entity from LACERS.
- Retired Members are required to follow Medicare rules and policies as well as paying the Part B premium, IRMAAs, and any penalties to remain enrolled in Medicare.
- Currently, the Los Angeles Administrative Code (LAAC) only provides LACERS the authority to reimburse the Medicare Part B Basic/Standard premium for Retired Members who meet all the requirements. This reimbursement does not apply toward dependents who are not a Retired Member or eligible Survivors.
- The Medicare Part B premium reimbursement is only for the basic premium amount. LACERS does not reimburse any IRMAA or penalty costs.

Can you appeal your IRMAA?

- Yes, you have the right to appeal if you disagree with the IRMAA decision.
- The fastest and easiest way to file an appeal of your decision is online at SSA.gov.
- You may also request an appeal in writing by completing a *Request for Reconsideration* (Form SSA-561-U2) available online at SSA.gov.
- You can also call Social Security at (800) 772-1213 to request an appeal form or an appointment with your local Social Security office.

NOTE: the above information is based on information provided by Social Security office. If their processes or rules change, please contact Social Security.

Can LACERS File the Appeal?

No, LACERS cannot speak to Medicare or Social Security on your behalf.

If you need help filing an appeal:

- **Contact your State Health Insurance Assistance Program (SHIP), shiphelp.org**
- **Or, you can appoint a representative to help you. Your representative can be a family member, friend, attorney, or someone else who will act on your behalf.**

How to appoint a representative:

- **Complete an Appointment of Representative form available on medicare.gov, or**
- **Submit a written request with your appeal.**

Please visit medicare.gov or call 1-800-MEDICARE for more information.

For Additional Information

Social Security Administration (SSA)

(800) 772-1213 | (800) 325-0778 TTY

SSA.gov

Centers for Medicare & Medicaid Services (CMS)

(800) 633-4227 | (877) 486-2048 TTY

medicare.gov

The Center for Healthcare Rights

(800) 824-0780

healthcarerights.org

Los Angeles City Employees' Retirement System

(800) 779-8328| (888) 349-3996 RTT

LACERS.org

Other Helpful Websites:

CMS.gov

HealthCare.gov

Medicaid.gov

The Process for LACERS Benefit Changes

Step 1 - Negotiations & Agreement

- City Management represented by the CAO and Unions negotiate benefits
- LACERS (subject matter expert – is not involved in negotiations or decision-making).
- We review whether we can administer the proposed benefit

Step 2 - Required Actuarial Cost Study

- After Management & Unions agree upon the proposed benefits, an actuarial study is required
- Actuary analyzes the demographic and provides the cost to provide the benefit

Step 3 - Consideration & Approval

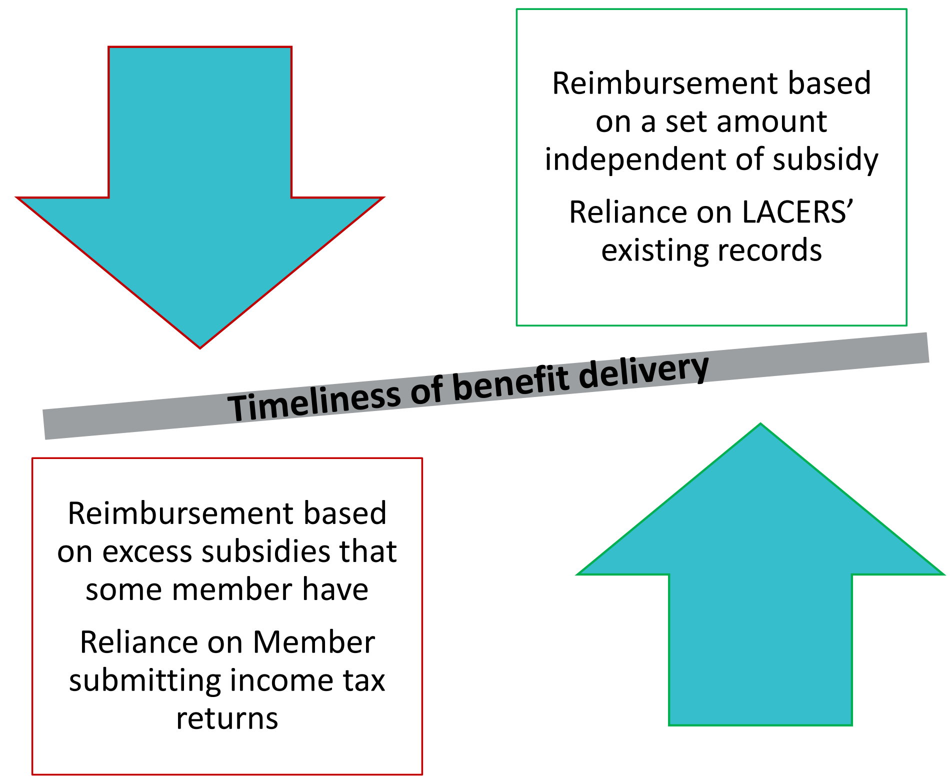
- City Council decides whether to consider the item
- If Council approves the item, City Attorney is tasked to draft the ordinance
- The ordinance must return to Council for adoption

Step 4 - Administer the Benefit

- LACERS begins implementation
- Updates are made to publications, forms, computer systems, policies, and procedures
- LACERS must communicate the benefit changes to affected Members

Actuarial Cost Study Parameters

- **All LACERS benefit changes must be accompanied by a cost study done by an Actuary**
- **LACERS weighs in on the administrative feasibility of benefit changes**



Benefit Enhancement Requests Made by Members

Type of Benefit	Current Benefit	Requested	Approval Needed	Benefits Administration Concerns
Reimbursement of Medicare Part B Basic Premium	**No** reimbursement for Members with Medicare Part B only	The same reimbursement levels as Members with Parts A&B	City Council Approved Ordinance	The actuarial cost study must reliably calculate the cost of the benefit Calculation methodology of the benefit must allow LACERS to meet standards of timeliness and accuracy
	Basic premium reimbursement for Members with Medicare Parts A&B	Reimbursement of IRMAA surcharges	City Council Approved Ordinance	

Benefit Enhancement Requests Made by Members

Type of Benefit	Current Benefit	Requested	Decision Maker(s)	Benefit Administration Concerns
Ability for Part B-only Members to enroll in Medicare Advantage Plans which provide enhanced benefits	Part B only Members participate in the Anthem non-Medicare plans or Kaiser Senior Advantage HMO	Part B-only Members would like the option to participate in the 3 Medicare Advantage Plans offered by Anthem, SCAN and United Health Care	Center for Medicare Services Medicare Plan Providers City Council Ordinance	If approved by the 3 entities, LACERS does not see any issues in administering the benefits.

Questions?

(800) 779-8328 | (888) 349-3996 RTT

lacers.health@lacers.org

LACERS.org

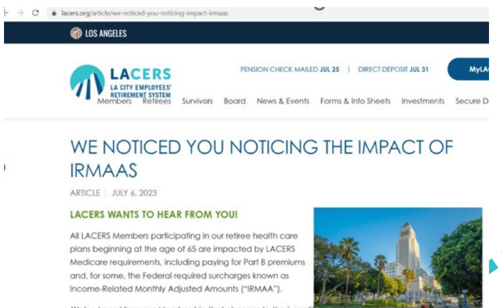
P.O. Box 512218

Los Angeles, CA 90051-0218

LACERS

WWW.LACERS.ORG

WATCH FOR UPDATES ON IRMAA WEBPAGE INCLUDING Q&A


LOS ANGELES

LACERS LA CITY EMPLOYEES' RETIREMENT SYSTEM

PENSION CHECK MAILED JUL 25 | DIRECT DEPOSIT JUL 31

Members Retirees Survivors Board News & Events Forms & Info Sheets Investments Secure D

WE NOTICED YOU NOTICING THE IMPACT OF IRMAAS

ARTICLE | JULY 6, 2023

LACERS WANTS TO HEAR FROM YOU!

All LACERS Members participating in our retiree health care plans beginning at the age of 65 are impacted by LACERS Medicare requirements, including paying for Part B premiums and, for some, the Federal required surcharges known as Income-Related Monthly Adjusted Amounts ("IRMAA").

We've heard from our Membership that changes to the benefit

ATTEND THE IN-PERSON MEETING

UPCOMING MEETINGS

In-Person Meeting at

LACERS Headquarters, 977 N. Broadway

Thursday, July 20, 2023

10:00 a.m. to 12:00 p.m.

SUBMIT PUBLIC COMMENTS OR TAKE A SURVEY

TAKE OUR IRMAA SURVEY

We appreciate your input regarding this issue. Please participate in our online survey.

SUBMIT A PUBLIC COMMENT TO OUR BOARD OF ADMINISTRATION

Our Board cares about issues impacting our Members. You can submit a public comment regarding this issue by submitting this form or you can participate in the public comment portion at an upcoming Board Meeting.

INFLUENCE THE DECISION-MAKING PROCESS

Question	Answer
What does IRMAA stand for?	Income Related Monthly Adjustment Amount
Are the presentation slides available online?	Yes, the slides are available here: https://www.lacers.org/sites/main/files/file-attachments/lacers_-_medicare_with_irmaa_july_2023.pdf The event recording is available for viewing on the LACERS YouTube channel here: https://www.youtube.com/watch?v=R6ImWeAq7oU
When did IRMAA start?	IRMAA was first enacted in 2003 as part of the Medicare Modernization Act. The first year of implementation was in 2007 with a surcharge being placed upon only the Medicare Part B premium. The Part D IRMAA surcharge began in 2011 under the Affordable Care Act.
Can I appeal the IRMAA determination?	Yes, you can appeal your IRMAA. Please contact the Social Security Administration for more information on how to request an appeal or reconsideration.
Is IRMAA for life?	Your income is re-evaluated by the Social Security Administration every year. It is not set for life, it will be reassessed.
Can I appeal the IRMAA determination?	Please contact the Social Security Administration for more information on your IRMAA determination and how to request an appeal or reconsideration.
Does LACERS provide the basic Medicare Part B premium and IRMAA reimbursements for spouses?	LACERS only reimburses the Member's basic Medicare Part B premium. The spouse's basic Part B premium and IRMAA reimbursements were not included in the current cost study which only included the Member's Medicare Part B IRMAA. If you would like the spouse's IRMAA added to the next cost study, you would have to advocate to the City Council to include this and any other additional benefits for the next cost study.
Did the cost study include IRMAA reimbursement to spouses?	The spouse's IRMAA was not included in the current cost study which only included the Member's Medicare Part B IRMAA. If you would like the spouse's IRMAA added to the next cost study, you would have to advocate to the City Council to include this and any other additional benefits in the next cost study.
Did the cost study include Members with Medicare Part B only?	The basic Medicare Part B and IRMAA reimbursement for Members with Part B only is in the current cost study.
Did the cost study include the Medicare Part D IRMAA?	Medicare Part D IRMAA reimbursement was not included in the cost study. Members who have contacted LACERS focused their requests on enhancing reimbursements of the Part B premiums and IRMAAs. To achieve reimbursement for Part D, advocate with City Council to add it to a new cost study and to support an ordinance change.
Where can I find the cost study?	The cost study can be found here: https://www.lacers.org/sites/main/files/file-attachments/irmaa_study_final_segal_2023.0526___lacers-irmaa_analysis__client5761455.5.pdf?1688135855
Is reimbursement of Medicare Part B premiums and IRMAA being considered for Members with Medicare Part B only?	LACERS is currently studying the impact of increasing reimbursements to Members with Medicare Part B only and those with IRMAA based on their LACERS retirement allowance. However, it will be up to City Council to adopt any changes to Medicare reimbursements in the Los Angeles Administrative Code.
Will LACERS reimburse IRMAA?	LACERS has conducted an actuarial study to gather information about the cost to reimburse IRMAA based on their LACERS retirement allowance and is gathering feedback from Members. Any changes to the LACERS benefit requires approval from the Los Angeles City Council.
How is the Modified Adjusted Gross Income (MAGI) for IRMAA calculated?	According to the Social Security Administration, the Modified Adjusted Gross Income (MAGI) for IRMAA is the sum of the beneficiary's adjusted gross income plus tax-exempt interest income. Please contact Social Security for more information.
When was the Los Angeles Administrative Code last updated for the Cost of Living Adjustment (COLA) and IRMAA?	The Los Angeles Administrative Code (LAAC) Sections 4.1022, 4.1023, and 4.1080.17, regarding the Cost of Living Adjustment, was last updated January 22, 2016. The LAAC does not mention the Income Related Monthly Adjustment Amount (IRMAA).
Does LACERS inform Members about IRMAA?	LACERS includes information on IRMAA in our retirement presentations, publications, and on the LACERS YouTube channel.
How do I know which parts of Medicare I have?	Your Medicare card displays the parts of Medicare you have, Hospital (Part A) and Medical (Part B).
Does IRMAA include the Medicare Part B amount?	IRMAA is in addition to the basic Medicare Part B premium amount.
Who do we pay IRMAA to?	IRMAA is payable to the Centers for Medicare and Medicaid Services (CMS).
How does LACERS' COLA and IRMAA reimbursements compare with CalPERS and other retirement systems?	Most retirement systems do not reimburse IRMAAs and COLAs are provided according to their respective plan provisions. Please review each plan for specific information about plan benefits.

Is the Medicare Part A coverage provided by LACERS if I am not eligible for Part A premium free?	If you started employment with the City of Los Angeles prior to April 1, 1986, and have not paid into FICA, you are not be eligible for Medicare Part A premium free from your City employment. You may be eligible through your spouse or from outside employment. If you are not eligible for Medicare Part A premium free, hospitalization is part of your LACERS medical plan.
Do Members with Medicare Part B only have hospitalization benefits?	Members who have Medicare Part B only and enrolled in a LACERS retiree medical plan have hospitalization as part of their medical plan benefits.
What is the office visit co-pay for the Kaiser Senior Advantage plan?	For 2023, the co-pay for a doctor's visit is $15 for Members enrolled in the Kaiser Senior Advantage plan. A summary of the plan benefits can be found in the Health Benefits Guide.
What is the current maximum medical subsidy for a Retired Member under age 65 (non-Medicare) with 25 or more years of Service Credit?	The maximum medical subsidy for Members under age 65 (non-Medicare) with 25 or more years of Service Credit is $1,962.20 for 2023. More information can be found on pages 13 and 14 of the 2023 Health Benefits Guide.
What is the medical subsidy for a Retired Member with Medicare Parts A&B?	The medical subsidy for Members with Medicare Parts A&B depends on the number of years of Service Credit with a baseline minimum of 10 years of service. The medical subsidy for Members with 14 years or less of service credit is 75% of the one-party monthly premium, 15-19 years or service credit is 90% of the one-party monthly premium, and 20 or more years of service credit is 100% of the one-party monthly premium. The amount of subsidy that is available for your dependents is the same as if you were enrolled in the corresponding non-Medicare plan.
Do my dependents have to enroll in Medicare if they are under the age of 65?	Medicare is for those age 65 or older or who are under age 65 in certain circumstances. If you have dependents who are not yet eligible for Medicare, they do not have to enroll in Medicare until they are eligible.
Can the COLA adjustment and Medicare Part B reimbursement be increased?	Medicare reimbursements and COLA allocation are administered by LACERS within the parameters of the Los Angeles Administrative Code. Changes to the Medicare reimbursements and COLA allocation are not within the authority of the LACERS Board of Administration. LACERS is facilitating these studies based on request/feedback by LACERS Members; however, it is up to City Council to adopt these changes.
How do the medical plans differ for Members with Medicare A&B, Part B only, or not in Medicare?	LACERS provides medical plan options to our Retired Members based on their Medicare status. While the plan benefits differ for non-Medicare, Medicare Part B only, and Medicare A&B Members, LACERS offer comparable plans across the different Medicare statuses while considering applicable regulations and premium costs.
Do spouses receive the basic Medicare Part B premium reimbursement?	The basic Medicare Part B reimbursement is for the Retired Member only.
What if I move out of California?	The plan options available depends on your Medicare status and the state you will reside in. Please contact LACERS for more information.
Will LACERS consider other medical plans with lower co-pays?	LACERS considers plan offerings every year to provide benefits at reasonable co-pays and premiums. A lower co-pay plan will in most cases increase a plan's premium.
Will my dependents who are under age 65 have the medical coverage if I enroll in Medicare?	Yes, if your dependents are not eligible for Medicare, they will be enrolled in the non-Medicare plan. For example, if you enroll in the Anthem Medicare Preferred PPO plan, your dependents will be enrolled in the Anthem PPO plan.
What health benefits does the County of Los Angeles offer?	As part of the City of Los Angeles LACERS does not have information on County plans. Please contact the County of Los Angeles for information about the health benefits and medical plans offered by them.
How can I submit my Medicare card?	Please submit a copy of the Medicare card and a copy of the Medicare Entitlement Letter to LACERS through email, fax, mail, or secure upload. In addition, the Member must submit a Senior Form for the Medicare plan which can be requested from LACERS.
What do the Ret Health Defrayal contributions that Active Members pay on their paychecks cover?	Health Defrayal contributions provide Retired Members who participate in a LACERS Health Plan or the Medical Plan Reimbursement Program (MPRP) with subsidies that may offset or eliminate their monthly premiums.
Do I need to enroll in Medicare if I am still working?	Members who are currently employed and are covered under an Active City Health Plan do not need to enroll in Medicare as they have creditable coverage as Active Employees. However, they are welcome to apply for Medicare Part A if it is at no cost to them. Members should wait to enroll in Medicare Part B until retiring because Active Members are not eligible for Medicare Part B reimbursement.
Can the City of Los Angeles move pension funds to the City bank if it is created?	While the City of Los Angeles is exploring a city owned public bank, the Los Angeles Charter provides the LACERS Board the sole and exclusive fiduciary responsibility over the assets of its system.
Am I eligible for Medicare Parts A&B?	Please contact the Social Security Administration to determine if you are eligible for Medicare Part A premium free. All Retired Members and their dependents are required to enroll in Part B when they are eligible.

When will the Anthem Medicare Supplement Plan be available?	The Anthem Life & Health Medicare Plan (Medicare Supplement) will be available effective January 1, 2024, in addition to the Anthem Medicare Preferred (PPO) plan.
Where do I submit my Medicare card and Medicare Entitlement Letter?	Please submit a copy of the Medicare card or a copy of the Medicare Entitlement Letter to LACERS through fax, mail, or secure document upload. In addition, the Member must submit a Medicare Acknowledgement form and a Senior Form for the Medicare plan which can be requested from LACERS.
Where can I find information comparing the Anthem Life & Health Medicare Plan (Medicare Supplement) and the Anthem Medicare Preferred (PPO) Plan aka PPO Advantage plan?	The 2024 Health Benefits Guide published in October 2023 will include a comparison chart which compares the benefits of both plans. Additional questions can be sent to lacers.health@lacers.org
Where can I find upcoming Los Angeles City Council and LACERS Board meeting calendars?	The Los Angeles City Council calendar is available online: https://clerk.lacity.gov/calendar and the LACERS Board calendar is available online: https://www.lacers.org/board-committee-meeting-schedule.

LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

ATTACHMENT 2

REPORT TO BOARD OF ADMINISTRATION **MEETING: JUNE 13, 2023**
From: Neil M. Guglielmo, General Manager **ITEM: X – B**

SUBJECT: **PRESENTATION OF THE COST OF MEDICARE PART B PREMIUM REIMBURSEMENT AND INCOME-RELATED ADJUSTMENT AMOUNTS (IRMAA) AND POSSIBLE BOARD ACTION**

ACTION: ☒ CLOSED: ☐ CONSENT: ☐ RECEIVE & FILE: ☐

Recommendation

That the Board direct staff to share the actuarial analysis with Members, stakeholders, and the City Administrative Officer, and incorporate feedback and other requested elements in a written report back.

Executive Summary

On August 23, 2022, the Board authorized an actuarial cost study to identify the financial impact of increasing reimbursements to Members with Medicare Part B premiums (report attached). LACERS Plan Actuary, Segal, will present the actuarial report. The assigned cost of these proposed benefit enhancements are as follows:

Reimbursement of the basic Part B premium to 1,375 retirees who currently are not eligible to receive the reimbursement (those employed by the City prior to April 1, 1986)

- Actuarially Determined Contribution increases by $2.7M
- Unfunded Actuarial Accrued Liability (UAAL) increases by $31.6M, from $107.7M to $139.3M for Part B basic reimbursement only.
- Funded Ratio decreases from 96.99% to 96.14% for basic reimbursement.

Reimbursement of the Medicare Part B premium surcharge known as the Income-Related Adjustment Amounts (IRMAA), to up to approximately 1,795 retirees (those with Parts A&B and Part B only coverage) with LACERS retirement benefits greater than $91,000 per year. The following changes include the impact of providing the basic Part B premium to the 1,375 retirees noted above.

- Actuarially Determined Contribution increases by $5.8M - $8.9M, depending on the IRMAA bracket used to define the maximum reimbursement.
- UAAL increases by $61.4M to $90.8M, from $107.7M to up to $198.5M
- Funded Ratio decreases from 96.99% to as much as 94.59%

The purpose of conducting the actuarial study is to gather information about the cost of this proposed benefit enhancement then return to the Board with additional related information and determine next steps, which may include a recommendation to the Mayor and City Council. The City Council may choose to consider, or not consider, this benefit enhancement. If a LACERS benefit is to be adopted, enhanced, or changed, the City Council is required to obtain an actuarial cost study of the benefit to be adopted.

As administrator of the Plan benefits, LACERS can raise issues of concern that have been articulated by our Membership and provide subject matter expertise to the City from an administrator's perspective. LACERS facilitates the gathering and sharing of information and remains impartial, neither advocating for, nor against, any benefit proposal.

Discussion

Following the Board's approval of the actuarial cost study in August 2022, LACERS met separately with the Retired Los Angeles City Employees' Association, Inc (RLACEI) and the City Administrative Office to solicit input into the development of parameters of the actuarial cost study and to discuss the impact on administering various benefit options. LACERS' mandate pursuant to the City Charter is timely payment of monthly retirement benefits, therefore the parameters of the actuarial study for any proposed benefit must be aligned to permit the benefit to be administered reliably with minimal dependency on external data or complicated processes. The following options were discussed with the above-mentioned administrative considerations:

1) Reimbursement of IRMAAs from *excess subsidies* – this option first requires the calculation of the *excess subsidy*, already a complex calculation which is dependent upon the individual's health plan selected, the number of dependents, the age of covered lives, the subsidy level, the medical premium cost, and other factors.
    - A feasible alternative establishes a direct reimbursement amount, independent of the subsidy calculation, which is straight-forward and in line with the methodology currently used for reimbursement of the basic Part B premiums. Aside from the administrative efficiency, this ensures Members with Medicare Part A&B coverage always receive a Part B premium reimbursement, even if their premiums exceed their subsidy. Typically, Members with lower years of service, and/or in a high-cost medical plan, or with dependents, will need to pay a portion of the medical plan premiums.
2) Reimbursement of IRMAAs based on the retirees' modified adjusted gross income (MAGI) from their federal tax return -- This proposal from our Members was paired with the concept of using the *excess subsidies* to pay for an individual retirees' IRMAAs. A misconception of the *excess subsidy* is that these excess amounts are retained by LACERS, essentially resulting in a "windfall" for LACERS. However, the City Contribution is actuarially calculated based on past health plan experience and health plan valuation assumptions that reflect that the average members' health plan premiums are less than their health subsidies. Therefore, the plan sponsor pays LACERS the aggregate of the expected medical premium costs, not the aggregate of the Members' subsidies, resulting in the lack of excess subsidies to retain in the LACERS Plan.

- A retirees’ MAGI will likely include income from non-LACERS sources, such as spousal income, income from other employers, and income from the individual’s investments. Inherently, the LACERS retirement benefit was established by the plan sponsor as part of the benefit package to compensate employees’ service to the City of Los Angeles.
    - ➢ A feasible alternative is to calculate the allowable Part B premium reimbursement based on the Member’s retirement income from LACERS defined benefit plan. This option bases the reimbursement on LACERS’ records rather than creating a reliance on the Member to submit records of their federal MAGI.

These alternatives represent administratively feasible options for LACERS which became the basis for the actuarial cost study parameters. Segal was asked to provide the cost of providing the basic Part B premium reimbursement to the retirees with Part B only coverage, and the cost of providing reimbursements for each of the five IRMAA bracket levels based on LACERS’ census data as the latest valuation ending June 30, 2022. With the upcoming Actuarial Experience study and potential changes in actuarial assumptions, this report will need to be updated should the City Council move to adopt these benefits.

Outreach on this issue has included an educational campaign about IRMAAs in a special webinar on Medicare basics with an IRMAA emphasis conducted on March 30, 2023; additional content is posted on our website; and newsletters and eBlasts were distributed to Active and Retired Members. For today’s presentation by Segal, LACERS notified representatives of CAO and RLACEI of this agenda item. With the Board’s approval, follow-up discussions on the cost study will be conducted with the CAO and RLACEI. The recording of Segal’s presentation will be made available on the LACERS website and promoted in eblasts, paycheck flyers, and will include a solicitation for comments from Members. Additionally, a meeting inviting Members’ and stakeholders’ feedback on the cost study will be conducted in-person and virtually. LACERS expects to report back to the Board in July/August with our findings.

<u>Prepared By:</u> Dale Wong-Nguyen, Assistant General Manager

NMG/DW

Attachments: 1. Segal Report – LACERS Part B Premium Reimbursement – Income Related Monthly Adjustment Amount (IRMAA) Study dated May 26, 2023
2. LACERS Board Report of August 9, 2022 - INCOME-RELATED MONTHLY ADJUSTMENT AMOUNTS (IRMAA) AND MEDICARE PART B ONLY REIMBURSEMENT CONSIDERATION AND POSSIBLE COMMITTEE ACTION

BOARD Meeting: 06/13/2023
Item: X – B
Attachment 1

Los Angeles City Employees' Retirement System

Part B Premium Reimbursement - Income Related Monthly Adjusted Amount (IRMAA) Study

180 Howard Street, Suite 1100
San Francisco, CA 94105-6147
segalco.com
T 415.263.8200

VIA E-MAIL

June 7, 2023

Mr. Neil Guglielmo
General Manager
Los Angeles City Employees' Retirement System
977 North Broadway
Los Angeles, CA 90012-1728

Re: Los Angeles City Employees' Retirement System (LACERS) - Impact of Increasing Retiree Part B Premium Reimbursements to Account for the Income Related Monthly Adjusted Amount (IRMAA).

Dear Neil:

As requested by the LACERS Board of Administration, Segal has prepared an actuarial analysis of the financial impact of (1) increasing the Medicare Part B premium reimbursements provided to retirees with Medicare Parts A and B coverages to account for income related adjustments and (2) providing retirees with Medicare Part B only coverage base and income adjusted Part B premium reimbursements. The following analysis is based on membership information, assumptions and results developed for the June 30, 2022, actuarial valuation. Results will be provided for Parts 1 and 2 separately as well as the combined impact of adopting both Parts 1 and 2.

Background

Unlike Medicare Part A, which is free for most enrollees, retirees are required to pay a monthly premium for Part B coverage. The base Part B premium for 2022 was $170.10 per month[1]. As shown in the following table, from www.cms.gov, the Part B premium is adjusted based on the retiree's income.

[1] The first year Part B reimbursement used in the June 30, 2022, OPEB valuation was $167.50, which reflects half a year of the 2022 premium ($170.10) and half a year of the 2023 premium ($164.90). Although the analysis in this memo was based on 2022 census data and 2022 retirement allowances, the liabilities presented reflect the decrease to the Part B premiums in 2023.

Tax Payers who File Individual Tax Returns with Modified Adjusted Gross Income	Tax Payers who File Joint Tax Returns with Modified Adjusted Gross Income	Income Related Monthly Adjustment Amount (IRMAA)	Total Monthly Premium and IRMAA Premium Level
<= $91,000	<= $182,000	$0.00	$170.10
($91,000, $114,000]	($182,000, $228,000]	$68.00	$238.10 - Level 1
($114,000, $142,000]	($228,000, $284,000]	$170.10	$340.20 - Level 2
($142,000, $170,000]	($284,000, $340,000]	$272.20	$442.30 - Level 3
($170,000, $500,000]	($340,000, $750,000]	$374.20	$544.30 - Level 4
Over $500,000	Over $750,000	$408.20	$578.30 - Level 5

Part 1 – Retirees with Medicare Parts A & B

Currently, LACERS provides retirees who are enrolled in Medicare Parts A & B a Part B premium reimbursement equal to the base monthly premium, $170.10 per month in 2022. This proposal would increase the Part B premium reimbursement from the basic premium to the lesser of (1) their actual premium paid, or (2) the IRMAA level premium corresponding to their LACERS retirement allowance based on the individual filing table. For example, a retiree filing individually who has a $200,000 per year income comprised of a LACERS pension benefit of $140,000 per year and income from other sources of $60,000 per year would receive a reimbursement equal to the lesser of (1) their actual premium of $544.30 per month (based on total income) or (2) $340.20 per month (based on their LACERS retirement allowance and the individual filing table). For retirees filing individual tax returns, the IRMAA level premium based on their LACERS retirement allowance will be less than or equal to their actual Part B premium because their LACERS retirement allowance will be less than or equal to their total retirement income.

However, for married members, it is possible for their actual premium to be lower than the IRMAA level premium corresponding to their LACERS retirement allowance based on the individual filing table. Suppose the retiree in the example above had the same LACERS pension benefit of $140,000 per year but was married. Further assume that the total household income for the couple was $200,000 per year. In that case, the monthly reimbursement from LACERS would be the lesser of (1) the actual premium paid of $238.10 (based on total income and joint tax return income level) or (2) $340.20 per month (based on their LACERS retirement allowance and the individual filing table). Even though the description of the benefit enhancement references the individual filing table and only the LACERS retirement allowance, the “lesser of their actual premium paid” language results in the retiree’s filing status (and household income if married) being relevant to this analysis.

LACERS staff has requested Segal to provide five scenarios for consideration. Each scenario incorporates an additional maximum or cap related to the 5 IRMAA premium levels. For example, the first scenario would provide a Part B premium reimbursement that is the lesser of (1) the actual premium paid or (2) the IRMAA level premium corresponding to their LACERS retirement allowance based on the individual filing table, or (3) the IRMAA level 1 premium ($238.10 per month). The second scenario would replace the maximum in part (3) of the prior sentence with the IRMAA level 2 premium, and so on. Because the fifth scenario uses the highest IRMAA premium, it is essentially the uncapped or no-limit scenario.

The following table provides the impact of these scenarios on the Unfunded Actuarial Accrued Liability (UAAL), the Funded Ratio, and the Actuarially Determined Employer Contribution[2] (ADC) from the June 30, 2022, OPEB valuation report for the total Plan (i.e., Tier 1 and 3 combined.

Table 1 – IRMAA Enhancements for Retirees eligible for Medicare Parts A and B

Unfunded Actuarial Accrued Liability and Funded Status ($ in millions)	**June 30, 2022 Valuation**	**Scenario 1**	**Scenario 2**	**Scenario 3**	**Scenario 4**	**Scenario 5**
1. Actuarial Accrued Liability	$ 3,580.7	$ 3,607.8	$ 3,625.9	$ 3,632.5	$ 3,634.9	$ 3,634.9
2. Actuarial Value of Assets	$ 3,473.0	$ 3,473.0	$ 3,473.0	$ 3,473.0	$ 3,473.0	$ 3,473.0
3. Unfunded Actuarial Accrued Liability	$ 107.7	$ 134.8	$ 152.9	$ 159.6	$ 161.9	$ 161.9
4. Increase to UAAL	***$ -***	***$ 27.1***	***$ 45.2***	***$ 51.8***	***$ 54.2***	***$ 54.2***
5. Funded Ratio	96.99%	96.26%	95.78%	95.61%	95.55%	95.55%
Acturaially Determined Contribution ($ in millions)						
6. Normal Cost from June 30, 2022 Valuation	$ 81.0	$ 81.0	$ 81.0	$ 81.0	$ 81.0	$ 81.0
7. Amortization of June 30, 2022 UAAL	7.4	7.4	7.4	7.4	7.4	7.4
8. Additional Normal Cost from plan change	-	0.6	1.0	1.2	1.2	1.2
9. 15-Year Amortization of plan change	-	2.3	3.8	4.4	4.6	4.6
10. Total ADC (BOY)	$ 88.4	$ 91.3	$ 93.3	$ 94.0	$ 94.2	$ 94.2
11. Total ADC (BOY) as % of Payroll	3.92%	4.04%	4.13%	4.16%	4.17%	4.17%
12. Total ADC (July 15)	$ 88.7	$ 91.6	$ 93.5	$ 94.2	$ 94.5	$ 94.5
13. Total ADC (July 15) as % of Payroll	3.93%	4.05%	4.14%	4.17%	4.18%	4.18%
14. Total ADC (end of pay period)	$ 91.5	$ 94.5	$ 96.5	$ 97.2	$ 97.5	$ 97.5
15. Total ADC (end of pay period) as % of Payroll	4.05%	4.18%	4.27%	4.30%	4.32%	4.32%
16. Increase to ADC (July 15)		***$ 2.9***	***$ 4.8***	***$ 5.5***	***$ 5.8***	***$ 5.8***
17. Increase to ADC (July 15) as % of Payroll		***0.12%***	***0.21%***	***0.24%***	***0.25%***	***0.25%***

[2] This is equal to the normal cost plus the UAAL contribution rate.

As shown in Table 1 above, the Unfunded Actuarial Accrued Liability increases by $27.1 million in Scenario 1 and up to $54.2 million in Scenario 5. A $54.2 million increase represents an increase of 1.5% to the overall actuarial accrued liability. Scenarios 4 and 5 are identical because no LACERS retirement allowance for current Parts A and B retirees exceeded $500,000. The ADC (assuming July 15 payment) when expressed as a percentage of payroll was 3.93% before any change and ranges from 4.05% in Scenario 1 to 4.18% in Scenario 5. Per LACERS' funding policy, the additional accrued liability resulting from the IRMAA enhancement (Plan Amendment) would be amortized over a 15-year period. Row 8 provides the impact on the plan's normal cost. The higher normal cost would be an ongoing cost that would continue after the 15-year period needed to fund the impact on the UAAL. Row 9 provides the UAAL amortization cost related to the IRMAA plan change. The amortization costs related to the enhancement are the bulk of the increase to the ADC and would end once the 15-year amortization period is over. In dollar terms, the July 15 ADC increases range from $2.9 million in Scenario 1 to $5.8 million in Scenario 5.

The following table provides the distribution of the current 9,688 Medicare A & B retirees (over 65 as of June 30, 2022), based on how their LACERS retirement allowance relates to the individual income brackets used to determine the IRMAA levels.

2022 LACERS Retirement Allowance	IRMAA Premium Level	Number of Current Medicare A & B Retirees	Percentage of Total
<= $91,000	Base	8,223	85%
($91,000, $114,000]	$238.10 - Level 1	802	8%
($114,000, $142,000]	$340.20 - Level 2	392	4%
($142,000, $170,000]	$442.30 - Level 3	182	2%
($170,000, $500,000]	$544.30 - Level 4	89	1%
Over $500,000	$578.30 - Level 5	0	0
	Total	9,688	100%

8,233 (85%) of the 9,688 current Medicare A & B retirees receive a LACERS retirement benefit that is less than or equal to $91,000. These retirees would not be impacted by the IRMAA enhancement. Of the 1,465 retirees (15%) who could potentially receive an IRMAA enhancement based on their LACERS retirement allowance, 1,038 (71%) are married or have a domestic partner. As noted earlier, the actual premium for a married retiree could be less than the IRMAA level premium corresponding to their LACERS retirement allowance based on the individual filing table. We relied on the LACERS pension data to determine which retirees are married (filing a joint tax return) but needed to make assumptions about household income to assess how household income could affect the results. After taking into consideration that LACERS employees do not contribute to Social Security, the population that is impacted are high earners, and that roughly 72% of the Part A & B retirees who have a LACERS retirement allowance that exceeds $91,000 per year are males; we estimated household income to be 1.8 times each retiree's LACERS retirement allowance. It's worth noting that an estimate of 2.0 for household income (as a ratio of LACERS retirement allowance) provides the largest liability and any parameter for household income that's greater than 2.0 times the LACERS retirement allowance produces the same results as using the 2.0 assumption. We believe using a factor of 2.0 would be overly conservative and that a factor of 1.8 is more reasonable and still includes some margin for conservatism. To help illustrate the sensitivity of this assumption, we note that an assumption of 1.5 for household income (as a ratio of LACERS retirement allowance) would have produced an additional UAAL of $36.1 million in Scenario 5 (versus $54.2 million) and a July 15 ADC of 4.10% instead of 4.18%.

Part 2 – Retirees with Medicare Part B Only

Currently, eligible retirees with Medicare Part B only coverage receive health and dental subsidies but are not eligible for a Part B premium reimbursement. In the June 30, 2022, OPEB valuation, there were 1,375 retirees over the age of 65 with Part B plans or Part B waiver plans (583 Part B + 792 Part B waiver coverage) who were not receiving a Part B reimbursement. Part 2 of this analysis provides six scenarios. The first scenario determines the financial impact of providing the 1,375 Part B only retirees the base Part B premium. The additional scenarios are labeled Scenarios 1 through 5 because they reflect the impact of also reimbursing income related adjustments, in a manner similar to the five scenarios in Part 1.

Table 2 - IRMAA Enhancements for Retirees eligible for Medicare Part B Only

Unfunded Actuarial Accrued Liability and Funded Status ($ in millions)	June 30, 2022 Valuation	Base Part B Premium Only	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
1. Actuarial Accrued Liability	$ 3,580.7	$ 3,612.3	$ 3,615.0	$ 3,616.6	$ 3,617.2	$ 3,617.3	$ 3,617.3
2. Actuarial Value of Assets	$ 3,473.0	$ 3,473.0	$ 3,473.0	$ 3,473.0	$ 3,473.0	$ 3,473.0	$ 3,473.0
3. Unfunded Actuarial Accrued Liability	$ 107.7	$ 139.3	$ 142.0	$ 143.7	$ 144.2	$ 144.3	$ 144.3
4. Increase to UAAL	***$ -***	***$ 31.6***	***$ 34.3***	***$ 35.9***	***$ 36.5***	***$ 36.6***	***$ 36.6***
5. Funded Ratio	96.99%	96.14%	96.07%	96.03%	96.01%	96.01%	96.01%
Acturaially Determined Contribution ($ in millions)							
6. Normal Cost from June 30, 2022 Valuation	$ 81.0	$ 81.0	$ 81.0	$ 81.0	$ 81.0	$ 81.0	$ 81.0
7. Amortization of June 30, 2022 UAAL	7.4	7.4	7.4	7.4	7.4	7.4	7.4
8. Additional Normal Cost from plan change	-	-	-	-	-	-	-
9. 15-Year Amortization of plan change	-	2.7	2.9	3.0	3.1	3.1	3.1
10. Total ADC (BOY)	$ 88.4	$ 91.1	$ 91.3	$ 91.5	$ 91.5	$ 91.5	$ 91.5
11. Total ADC (BOY) as % of Payroll	3.92%	4.03%	4.04%	4.05%	4.05%	4.05%	4.05%
12. Total ADC (July 15)	$ 88.7	$ 91.4	$ 91.6	$ 91.7	$ 91.8	$ 91.8	$ 91.8
13. Total ADC (July 15) as % of Payroll	3.93%	4.04%	4.05%	4.06%	4.06%	4.06%	4.06%
14. Total ADC (end of pay period)	$ 91.5	$ 94.2	$ 94.5	$ 94.6	$ 94.7	$ 94.7	$ 94.7
15. Total ADC (end of pay period) as % of Payroll	4.05%	4.17%	4.18%	4.19%	4.19%	4.19%	4.19%
16. Increase to ADC (July 15)		***$ 2.7***	***$ 2.9***	***$ 3.0***	***$ 3.1***	***$ 3.1***	***$ 3.1***
17. Increase to ADC (July 15) as % of Payroll		***0.11%***	***0.12%***	***0.13%***	***0.13%***	***0.13%***	***0.13%***

As shown in Table 2 above, the Unfunded Actuarial Accrued Liability increases by $31.6 million in the initial scenario (Base Part B premium reimbursement provided to the Part B only retirees). The additional UAAL increases to $36.6 million Scenario 5. A $36.6 million increase represents an increase of 1.0% to the overall actuarial accrued liability. The July 15 ADC as a percentage of payroll was 3.93% before any change and ranges from 4.04% in the initial scenario up to 4.06% in Scenario 5. In dollar terms, the increase to the July 15 ADC ranges from $2.7 million to $3.1 million. No additional normal cost was modeled for Part 2 because all current active employees are assumed to be eligible for Medicare Parts A and B. Similarly, all inactive vested members and retirees who were younger than 65 are assumed to be eligible for Medicare Parts A and B at age 65. Table 2 incorporates the same 1.80 ratio for estimating household income for married individuals. An assumption of 1.5 for household income (as a ratio of LACERS retirement allowance) would have produced an additional UAAL of $35.4 million in Scenario 5 (versus $36.6 million) and the same July 15 ADC of 4.06% for Scenario 5.

2022 LACERS Retirement Allowance	IRMAA Premium Level	Number of Current Medicare Part B Only Retirees	Percentage of Total
<= $91,000	Base	1,045	76%
($91,000, $114,000]	$238.10 - Level 1	177	13%
($114,000, $142,000]	$340.20 - Level 2	100	7%
($142,000, $170,000]	$442.30 - Level 3	34	2%
($170,000, $500,000]	$544.30 - Level 4	19	1%
Over $500,000	$578.30 - Level 5	0	0
	Total	1,375	100%

The table above shows that 1,045 (76%) of the 1,375 current Medicare Part B only retirees receive a LACERS retirement benefit that is less than or equal to $91,000. These retirees would not be impacted by the IRMAA enhancements. However, all 1,375 would benefit from receiving the base Part B premium reimbursement which they currently do not receive.

Part 3 – Combined Impact of Part 1 and Part 2 Enhancements

Table 3 – Base Part B Premium Enhancement for Retirees with Part B Only and IRMAA Enhancements for both Retirees with Parts A & B and Retirees with Part B Only

Unfunded Actuarial Accrued Liability and Funded Status ($ in millions)	June 30, 2022 Valuation	Base Part B Premium Only	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
1. Actuarial Accrued Liability	$ 3,580.7	$ 3,612.3	$ 3,642.1	$ 3,661.8	$ 3,669.0	$ 3,671.5	$ 3,671.5
2. Actuarial Value of Assets	$ 3,473.0	$ 3,473.0	$ 3,473.0	$ 3,473.0	$ 3,473.0	$ 3,473.0	$ 3,473.0
3. Unfunded Actuarial Accrued Liability	$ 107.7	$ 139.3	$ 169.1	$ 188.9	$ 196.0	$ 198.5	$ 198.5
4. Increase to UAAL	***$ -***	***$ 31.6***	***$ 61.4***	***$ 81.1***	***$ 88.3***	***$ 90.8***	***$ 90.8***
5. Funded Ratio	96.99%	96.14%	95.36%	94.84%	94.66%	94.59%	94.59%
Acturaially Determined Contribution ($ in millions)							
6. Normal Cost from June 30, 2022 Valuation	$ 81.0	$ 81.0	$ 81.0	$ 81.0	$ 81.0	$ 81.0	$ 81.0
7. Amortization of June 30, 2022 UAAL	7.4	7.4	7.4	7.4	7.4	7.4	7.4
8. Additional Normal Cost from plan change	-	-	0.6	1.0	1.2	1.2	1.2
9. 15-Year Amortization of plan change	-	2.7	5.2	6.9	7.5	7.7	7.7
10. Total ADC (BOY)	$ 88.4	$ 91.1	$ 94.2	$ 96.3	$ 97.1	$ 97.3	$ 97.3
11. Total ADC (BOY) as % of Payroll	3.92%	4.03%	4.17%	4.26%	4.30%	4.31%	4.31%
12. Total ADC (July 15)	$ 88.7	$ 91.4	$ 94.5	$ 96.6	$ 97.3	$ 97.6	$ 97.6
13. Total ADC (July 15) as % of Payroll	3.93%	4.04%	4.18%	4.28%	4.31%	4.32%	4.32%
14. Total ADC (end of pay period)	$ 91.5	$ 94.2	$ 97.5	$ 99.6	$ 100.4	$ 100.7	$ 100.7
15. Total ADC (end of pay period) as % of Payroll	4.05%	4.17%	4.32%	4.41%	4.44%	4.46%	4.46%
16. Increase to ADC (July 15)		***$ 2.7***	***$ 5.8***	***$ 7.9***	***$ 8.6***	***$ 8.9***	***$ 8.9***
17. Increase to ADC (July 15) as % of Payroll		***0.11%***	***0.25%***	***0.35%***	***0.38%***	***0.39%***	***0.39%***

As shown in Table 3, the Unfunded Actuarial Accrued Liability increases by $31.6 million in the initial scenario (Base Part B premium reimbursement provided to the Part B only retirees). Because this first scenario is unique to Part 2 of the analysis, the initial scenario in the combined table is identical to the initial scenario in Part 2. The additional UAAL increases to $90.8 million in Scenario 5. A $90.8 million increase represents an increase of 2.5% to the overall actuarial accrued liability. The July 15 ADC when expressed as a percentage of payroll was 3.93% before any change and ranges from 4.04% in the initial scenario up to 4.32% in Scenario 5. In dollar terms, the increase to the July 15 ADC ranges from $2.7 million to $8.9 million. Table 3 incorporates the 1.80 ratio for estimating household income for married individuals. An assumption of 1.5 for household income (as a ratio of LACERS retirement allowance) would have produced an additional UAAL of $71.5 million in Scenario 5 (versus $90.8) and a July 15 ADC of 4.23% instead of 4.32%.

Data, Assumptions and Methods

The analysis provided is based on membership information, assumptions and results developed for the June 30, 2022, OPEB actuarial valuation. Data for retirement allowance and marital status was gathered from the June 30, 2022, LACERS pension valuation data. For Part 1 of the analysis, we assumed the IRMAA enhancements for active employees, inactive vested members, and retirees who are under the age of 65 as of June 30, 2022, will have a similar distribution as the IRMAA levels for current Medicare A & B retirees over the age of 65 as of June 30, 2022 . In other words, the liability increase for the current Medicare A & B retirees was used to model the costs of the Part B reimbursements for future Medicare A & B retirees. Part B reimbursements are currently not provided to survivors or dependents, and we have assumed that is also the case for these proposed enhancements. We assumed the benefit enhancements will be effective July 1, 2023. A delay of an extra year would not have produced materially different results. The 1.8 factor used to estimate household income for married participants is discussed on page 4. Finally, we assumed the post-July 1 LACERS retirement allowances after cost-of-living-adjustment (COLA) would be used to set the Part B subsidies for the 12-month period beginning July 1 to the following June 30. In other words, we used a conservative assumption regarding the administration of the benefit and how the timing of the LACERS COLA will interact with the proposed IRMAA enhancements.

The undersigned are members of the American Academy of Actuaries and are collectively qualified to render the actuarial opinion contained herein. We look forward to discussing these results with you. Please let us know if you have any questions.

Sincerely,

Paul Angelo, FSA, EA, MAAA, FCA
Senior Vice President & Actuary

Andy Yeung, ASA, EA, MAAA, FCA
Vice President & Actuary

Mehdi Riazi, FSA, EA, MAAA, FCA
Vice President & Consulting Actuary

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LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

REPORT TO BOARD OF ADMINISTRATION

From: Benefits Administration Committee
Michael R. Wilkinson, Chair
Annie Chao
Thuy Huynh

MEETING: AUGUST 23, 2022
ITEM: VII - D

SUBJECT: **INCOME-RELATED MONTHLY ADJUSTMENT AMOUNTS (IRMAA) AND MEDICARE PART B ONLY REIMBURSEMENT CONSIDERATION AND POSSIBLE BOARD ACTION**

ACTION: ☒ CLOSED: ☐ CONSENT: ☐ RECEIVE & FILE: ☐

Recommendation

That the Board to approve the following:

1. Authorize a budgetary expenditure and direct LACERS plan actuary, the Segal Company, to conduct an actuarial cost study to explore the Medicare Part B Income-Related Monthly Adjustment Amount (IRMAA) and the Medicare Part B (Medical) reimbursements; and
2. Share this report with the Office of the City Administrative Officer (CAO).

Executive Summary

LACERS consistently receives feedback from Members requesting a change to the LACERS benefit to allow for the medical subsidy to reimburse Members' *Medicare Part B Income-Related Monthly Adjustment Amounts* (IRMAAs), and to reimburse the *Medicare Part B basic premiums* for LACERS Members who started City employment prior to April 1, 1986 and are currently excluded from reimbursement. Due to the increased interest by our Members, and the largest City retiree association, a report to the Benefits Administration Committee (BAC) was submitted on these two issues.

Discussion

At a special meeting held on August 9, 2022, staff presented to the BAC recommendations regarding the Income-Related Monthly Adjustment Amount (IRMAA) and Medicare Part B Only reimbursement as described in the attached Committee report. The Committee discussed the options presented and directed staff to forward the proposed recommendations herein to the Board.

Strategic Plan Impact Statement

The IRMAA and Medicare Part B reimbursement recommendation supports LACERS Strategic Plan Goal to improve value and minimize costs of Members' health and wellness benefits.

Prepared By: Ada Lok, Senior Benefits Analyst I, Glen Malabuyoc, Senior Benefits Analyst I, Margaret Drenk, Senior Benefits Analyst II, and Karen Freire, Chief Benefits Analyst.

NMG/DWN/AL

Attachment: 1. August 9, 2022 Benefits Administration Committee Report

BOARD Meeting: 08/23/2022
Item: VII-D
ATTACHMENT

LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

REPORT TO BENEFITS ADMINISTRATION COMMITTEE **MEETING: AUGUST 9, 2022**
From: Neil M. Guglielmo, General Manager **ITEM: V**

SUBJECT: **INCOME-RELATED MONTHLY ADJUSTMENT AMOUNTS (IRMAA) AND MEDICARE PART B ONLY REIMBURSEMENT CONSIDERATION AND POSSIBLE COMMITTEE ACTION**

ACTION: ☒ CLOSED: ☐ CONSENT: ☐ RECEIVE & FILE: ☐

Recommendation

That the Committee provide direction on option(s) to recommend to the Board:

1. Authorize a budgetary expenditure and direct LACERS plan actuary, the Segal Company, to conduct an actuarial cost study to explore the Medicare Part B Income-Related Monthly Adjustment Amount (IRMAA) and the Medicare Part B (Medical) reimbursements; and/or
2. Share this report with the Office of the City Administrative Officer (CAO); and/or
3. Direct staff to explore additional Committee recommendations.

Executive Summary

LACERS consistently receives feedback from Members requesting a change to the LACERS benefit to allow for the medical subsidy to reimburse Members' *Medicare Part B Income-Related Monthly Adjustment Amounts* (IRMAAs), and to reimburse the *Medicare Part B basic premiums* for LACERS Members who started City employment prior to April 1, 1986 and are currently excluded from reimbursement. Due to the increased interest by our Members, and the largest City retiree association, LACERS conducted preliminary research and analysis of these two issues. To enact the requested benefit change, an actuarial cost study must be completed and an ordinance adopted by City Council and Mayor to effectuate the benefit.

This report provides a preliminary analysis of these issues and recommendation for the Committee to provide direction on the commission of the actuarial study and the consideration of the benefit changes. The key findings of the report include:

IRMAAs

- The Medicare Part B premium reimbursement benefit was adopted in the 1980s before IRMAAs were contemplated and introduced in 2007[1].
- In a survey of ten California pension plans, three plans, California Public Employees' Retirement system (CalPERS), Water and Power Employees' Retirement Plan (WPERP), and San Diego County Employees' Retirement System (SDCERS) provide reimbursement of Part B IRMAAs from Members' subsidies, while Los Angeles Fire and Police Pensions (LAFPP) and six other plans do not.
- In a survey of 9,874 LACERS Members to ascertain the cost of their IRMAAs, 3,089 or 32% responded with 791 or 26% of respondents paying IRMAAs.
- Using the percentage distribution of Members from the survey, applied to the 9,874 Members, the estimated additional costs of reimbursing IRMAAs in 2023, adjusted annually based on the current Centers for Medicare and Medicaid (CMS) rates and changes in Members' personal income bracket, are:
    - Medicare Parts A and B – $17.5 million for Tiers I and II; $20 million for Tiers I to III; and $26 million for all tiers (Table 3)

Part B Only

- The 1973 ordinance establishing the Retiree Health Program included providing reimbursement of Medicare Part B reimbursement to Members enrolled in Medicare Parts A (Hospitalization) and B (Medical); however, the ordinance did not address reimbursements for Part B only enrollees.
- There are 1,386 Retired Members with Medicare Part B only. This group will decrease over time.
- Out of three City Pension Systems providing retiree health benefits, only the Department of Water and Power provides Medicare Part B only premium reimbursement.
- The estimated costs of providing Part B Members with reimbursement of basic rates plus IRMAA, to be adjusted annually based on CMS rates, are:
    - Medicare Part B only – $2.5 million for Tiers I and II; $2.8 million for Tiers I to III; and $3.7 million for all tiers (Table 5)

The Los Angeles Administrative Code (LAAC) Section 4.1113 and 4.1128 authorizes LACERS to reimburse the Medicare Part B basic premium to Retired LACERS Members (Members) enrolled in Medicare Parts A and B, enrolled in a LACERS Senior Plan, and receiving LACERS medical subsidy. Any required Medicare premiums that Members must pay, outside of the authority listed in the LAAC, Members are not reimbursed. This includes Members who started employment prior to April 1, 1986, who did not contribute to Medicare Part A, and are also required to enroll in Medicare Part B, but are not reimbursed the basic premium.

Some Members pay additional premium amounts called the Income-Related Monthly Adjustment Amounts (IRMAAs) based on their taxable income and could be based not just on the Member's retirement allowance from LACERS, but also include: the spouse's income/retirement allowance, employment earnings, profit made from a business activity, investment income from properties or investments, capital gains on the sale of property or any related income reported to the Internal

[1] Section 1839 of the Social Security Act (as amended by section 811 of the Medicare Modernization Act) creates an income-related reduction in Part B premium subsidies effective January 2007.

Revenue Service (IRS). For Members to comply with Medicare, they are required to not just pay for the basic Medicare Part B premium, but if required, also the IRMAA. Because the IRMAA is based on the Member's taxable income, LACERS is unable to determine the number of Members who pay IRMAA. Therefore, LACERS conducted a survey to determine the number of Members impacted by IRMAA, as well as the annual cost for IRMAA reimbursement.

Discussion

IRMAA

LACERS administers medical insurance plans for its early retirees (age 55 – 64) and Medicare-eligible retirees (age 65+). For Medicare-eligible retired Members and their health plan dependents, LACERS offers medical plans that integrate Medicare Part B and Medicare Parts A and B benefits. LACERS refers to these plans as "senior plans." When a Member or their dependent enrolls in a LACERS senior plan, they also enroll in Medicare Part D (Prescription Drug).

On or after April 1, 1986, the City of Los Angeles (City) and its employees are required to pay into Medicare for employees hired when the requirement for all agencies to pay into Medicare was enacted. For these employees, once they achieved 40 credits with Medicare, they are eligible to receive Medicare Part A at no cost. Employees hired before this date are not eligible for Medicare Part A through their City employment but may be eligible through a spouse or employment outside of the City.

Once a Member or health plan dependent qualifies for Medicare, in order to continue coverage in a LACERS medical plan, the LAAC requires them to enroll in Medicare Part B (Medical), and if eligible to receive it for free, Part A (Hospitalization).

When enrolling in Medicare Part B, Members and their dependents must pay the Part B premium out-of-pocket. The premium cost can change every year and the amount can be different for each person. There is a basic premium that everyone must pay and, depending on income and tax filing status, there may be additional premium costs called Income-Related Monthly Adjustment Amounts (IRMAAs). For 2022, the basic premium is $170.10 and premiums with IRMAAs range from $238.10 to $578.30. The premiums fall into six premium tiers as listed in Table 1.

Table 1. 2022 Medicare Part B Premiums
Members' income in 2020 (for what Members pay in premiums in 2022)

Premium Tier	Filed individual tax return	Filed joint tax return	Filed married & separate tax return	Member Monthly Premium (in 2022)*
I	$91,000 or less	$182,000 or less	$91,000 or less	$170.10
II	above $91,000 up to $114,000	above $182,000 up to $228,000	Not applicable	$238.10
III	above $114,000 up to $142,000	above $228,000 up to $284,000	Not applicable	$340.20
IV	above $142,000 up to $170,000	above $284,000 up to $340,000	Not applicable	$442.30

V	above $170,000 and less than $500,000	above $340,000 and less than $750,000	above $91,000 and less than $409,000	$544.30
VI	$500,000 or above	$750,000 or above	$409,000 or above	$578.30

Note: IRMAAs are calculated based on the highest income of the tax returns filed two years prior.

Medicare's coverage of Part A (Hospitalization) significantly lowers LACERS' cost for premiums for senior plans, which may be the reason that Members enrolled in both Medicare Parts A and B are reimbursed for the monthly Medicare Part B basic premiums. This benefit is only available to the retired Member, not their health plan dependents or survivors.

Cost of IRMAAs

LACERS requires that Members show proof of Medicare enrollment when enrolling in a LACERS senior plan or participating in the Medical Premium Reimbursement Program. Acceptable proof is a copy of their Medicare card or entitlement letter from Social Security. These documents indicate that a Member has been successfully enrolled in Medicare, but does not provide insight into their Medicare Part B premium cost. LACERS has no access to each Member’s Medicare Part B premium, which is needed to determine the potential cost of reimbursing Medicare Part B premiums beyond the standard premium. Therefore, in 2021 the Board authorized staff to conduct a survey to determine the Members’ out-of-pocket Part B premium costs, including IRMAAs, and to provide the information to the City for consideration in amending the current Part B premium reimbursement benefit.

On November 1, 2021, a Medicare Part B Premium Survey was mailed out to Members receiving a Medicare Part B premium reimbursement to determine Members’ actual Part B premium cost.

Survey Methodology

With the assistance of the LACERS health and welfare consultant, Keenan & Associates, staff created a two-question Medicare Part B Premium Survey and distributed by first-class mail to 9,784 Retired Members who are currently receiving a Part B premium reimbursement. To maintain confidentiality, code numbers were used to identify the completed surveys and no personal identifiers were used.

In addition, the self-mailer contained an explanation of the purpose of the survey and instructions for completing the survey by mail or by accessing an online version provided through a link to the LACERS website. Members were asked two questions: 1) are you a retired LACERS Member currently enrolled in Medicare Parts A and B and receiving a Medicare Part B premium reimbursement? 2) what amount best describes your Medicare Part B premium, including any IRMAA costs (do not include Medicare Part D IRMAAs)?

Survey Results

A total of 3,089 completed surveys (2,551 or 82.6% via mail and 538 or 17.4% online) were received, or a 32% response rate, which is considered an acceptable percentage for validity based on the size of the population surveyed. A breakout of the responses is shown in Table 2.

Table 2. Medicare Part B Premium Survey Results			
2021 Part B Premium Tier	Member Reported Premium Amounts*	Number of Members Paying Premium Tier	Percentage of Members Paying Premium Tier
I (Basic)	$148.50	2,298	74.4%
II	**$207.90** to $279.70	283	9.2%
III	**$297.00** to $348.00	193	6.2%
IV	**$386.10** to $462.70	143	4.6%
V and VI**	**$475.20** to $494.67 and **$504.90** to $545.90	172	5.6%
Totals		**3,089**	**100.0%**

*The bolded amounts in this column are the usual premium for Members within the associated income bracket. Although most Members within the different income brackets pay the usual amount, a few Members reported different premiums. Some Members pay amounts other than those listed for various reasons, such as the "hold harmless provision," the late Part B enrollment penalty or the Medicare Part D IRMAA (Tiers II to VI). The "hold harmless provision" limits annual Medicare Part B premium increases for certain individuals to an amount that does not decrease their Social Security benefit. This provision comes into effect when the Social Security cost-of-living adjustment is low, and the Medicare Part B premium increase is greater than a person's Social Security benefit increase.

**Tiers V and VI were combined because the difference between the premium amounts is much less than between the other tiers.

As shown in Table 3, LACERS has identified 9,784 Members who are receiving a Medicare Part B premium reimbursement. Based on the survey responses, it is estimated that about 26% of LACERS Members pay IRMAAs.

Table 3. Estimated 2022 and 2023*** Part B Premium Payments						
2022 Part B Premium Tier	Basic/IRMAA Premium Amounts	Estimated Number of Members Paying Premium Amount	% of Members Paying Premium Amount	Total Monthly Basic/IRMAA Payment Estimate (Tier II-VI incremental)	Total Annual Basic/IRMAA Payment Estimate (Tier II-VI incremental)	Running Total of Part B with IRMAA Premium Costs
I (Basic)	$170.10	7,280	74.4%	$1,238,328	$14,859,936	$14,859,936
II	**$238.10**	900	9.2%	$ 214,290	$ 2,571,480	$17,431,416
III						

	$340.20	606	6.2%	$ 206,161	$ 2,473,932	$19,905,348
IV	**$442.30**	450	4.6%	$ 199,035	$ 2,388,420	$22,293,768
V and VI	**$544.30** and **$578.30** (ave. $561.30)	548	5.6%	$ 307,592	$ 3,691,104	$25,984,872
Totals		9,784	100%	$2,165,406	$25,984,872	
Projected Cost of IRMAAs				**$ 927,078**	**$11,124,936**	

Projecting future costs can be difficult because the number of LACERS Members enrolled in Medicare Parts A and B change continuously, and the Part B premiums and IRMAA income brackets can change annually, as can Members' income or tax filing status. For example, in 2022, the income threshold used to assess IRMAAs changed from $88,000 to $91,000 for those filing individual tax returns. Additionally, when IRMAAs are assessed, both Medicare Part B and Medicare Part D premiums are increased by the surcharge.

*** Centers for Medicare and Medicaid (CMS) released a report recently and projected no increase in the 2023 Medicare Part B standard/basic premium.

MEDICARE PART B ONLY

The City began reimbursing Medicare Part B basic premium to retirees who had Medicare Parts A and B in accordance with the ordinance which established the Retiree Health Insurance Program in October 1973. Retired Members with Medicare Part B only are not reimbursed their Part B basic premium as the Los Angeles Administrative Code Section 4.1113 (b) limits the reimbursement to Retired Members with Medicare Parts A and B. The reason that only those who have Medicare Parts A and B have been reimbursed may be that Medicare Part A's hospitalization coverage and capitation payments significantly lowers medical plan premium costs, i.e. the senior plans which require enrollees to have Parts A and B have much lower premiums than non-senior Part B only plans.

As of June 30, 2022, there are 1,386 retired Members with Medicare Part B only enrolled in a LACERS-sponsored medical plan. These retired Members were hired before April 1, 1986, when the requirement for all agencies to pay into Social Security pay the Medicare Part A (Medicare tax) was enacted. At that time, the City decided not to give these employees the option to pay into their Medicare tax; hence, they are not eligible for premium-free Medicare Part A through their City employment. Currently, there are 212 full-time and 6 part-time Active Members hired before this date. Based on LACERS' records, they are not currently eligible for premium-free Medicare Part A through a spouse or employment outside of the City.

The Part B only population is very small and decreasing each year, with reimbursement costs expected to follow this same trend. Using the same percentages as the Medicare Part B IRMAA survey was used, Table 4 shows an estimate of reimbursement costs of Part B basic premium to the Retired Members who have Medicare Part B only.

Table 4. Estimated 2022 Medicare Part B Basic Premium Payments Reimbursement – Retired Members with Medicare Part B only (see Table 1 for the Tiers' income range)					
2022 Part B Premium Tier	Basic/IRMAA Premium Amounts	Estimated Number of Members Paying Premium Amount	% of Members Paying Premium Amount	Total Monthly Basic Premium Payment Estimate	Total Annual Basic Premium Payment Estimate
I (Basic)	$170.10	1,031	74.4%	$175,373	$2,104,476
II	**$238.10**	128	9.2%	$21,773	$261,276
III	**$340.20**	86	6.2%	$14,629	$175,548
IV	**$442.30**	64	4.6%	$10,886	$130,632
V and VI	**$544.30** and **$578.30**	77	5.6%	$13,098	$157,176
Totals		**1,386**	**100.0%**	**$235,759**	**$2,829,108**

Table 5 shows a breakout of the reimbursement costs of Part B basic premium and Part B IRMAAs to the Retired Members who have Medicare Part B only.

Table 5. Estimated 2022 Medicare Part B Basic Premium and IRMAA Payments Reimbursement – Retired Members with Medicare Part B only						
2022 Part B Premium Tier	Basic/IRMAA Premium Amounts	Estimated Number of Members Paying Premium Amount	% of Members Paying Premium Amount	Total Monthly Basic/IRMAA Payment Estimate (Tier II-VI incremental)	Total Annual Basic/IRMAA Payment Estimate (Tier II-VI incremental)	Running Total of Part B with IRMAA Premium Costs
I (Basic)	$170.10	1,031	74.40%	$175,373	$2,104,476	$2,104,476
II	**$238.10**	128	9.20%	$30,477	$365,724	$2,470,200
III	**$340.20**	86	6.20%	$29,257	$351,084	$2,821,284
IV	**$442.30**	64	4.60%	$28,307	$339,684	$3,160,968
V and VI	**$544.30** and **$578.30** (ave. $561.30)	77	5.60%	$43,220	$518,640	$3,679,608

Totals		1,386	100%	$306,634	$3,679,608	
Projected Cost of IRMAAs				**$131,261**	**$1,575,132**	

Survey of other Retirement Systems

IRMAA

In July 2021, LACERS conducted an informal survey of other California public retirement systems to determine retirements systems that were providing IRMAA reimbursements. Of the 10 agencies that had participated, the Department of Water and Power (WPERP), the San Diego County Employees Retirement System (SDCERA), and the California Public Employees' Retirement System (CalPERS) reimburse their Retired Members their Medicare premiums, including Medicare Part B IRMAAs, with the limitation that the reimbursement cannot exceed each Member's medical subsidy amount.

CalPERS State of CA	**KCERA** Kern County	**LACERA** LA County	**LAFPP** LA Fire Police	**OCERS** Orange County
Reimburses Part B IRMAA if there is excess subsidy	No plans to reimburse Part B IRMAA	No plans to reimburse Part B IRMAA	No plans to reimburse Part B IRMAA	No plans to reimburse Part B IRMAA
SBCERA San Bernardino	**SBCERS** Santa Barbara	**SDCERA** San Diego	**SFERS** San Francisco	**WPERP** LA Water Power
No plans to reimburse Part B IRMAA	No plans to reimburse Part B IRMAA	Reimburses Part B IRMAA if there is excess subsidy	No plans to reimburse Part B IRMAA	Reimburses Part B IRMAA if there is excess subsidy

Medicare Part B Only Members

LACERS surveyed LAFPP and WPERP on their reimbursements for Members with Part B Only. The Los Angeles Fire and Police Pension currently does not reimburse basic Medicare Part B premiums for their Part B only members and the Department of Water and Power Health Benefits, which administers health benefits for both their active and retired employees, does reimburse Medicare Part B basic premiums, as well as IRMAA, for their Part B only members.

California, State and Nationwide Public Retirement Systems

LACERS also reached out to the California Association of Public Retirement Systems (CALAPRS), the State Association of County Retirement Systems (SACRS), and National Conference on Public Employee Retirement Systems (NCPERS) and received confirmation that no survey had been conducted on other public retirement systems' approaches in providing Part B IRMAA and/or Part B only reimbursements to retirees. Staff is in the process of creating a short survey so that NCPERS can distribute to their members.

RECOMMENDATION

Los Angeles Administrative Code Section 4.1113 (a) states "Reimbursement shall be limited to the Medicare Part B basic premium (Medical). No reimbursement shall be paid for Medicare Part B costs that exceed the basic premium."

LACERS requires that Members enroll in Medicare Part B to maintain coverage in a LACERS medical plan. Only Members who are enrolled in Medicare Parts A and B are reimbursed the Part B basic premium. However, LACERS consistently receives feedback from two other groups of Members - those who are enrolled in Medicare Parts A and B and paying Part B IRMAA premium; and those who are enrolled in Medicare Part B only and paying Part B basic and/or Part B IRMAA premiums. Members pay Part B premiums out-of-pocket and, although LACERS subsidizes medical plan premiums based on years of Service Credit with the City, the required out-of-pocket IRMAA and/or Part B only premium expense is not currently subsidized and essentially reduces the value of a Member's medical subsidy.

IRMAAs did not exist and were not contemplated as part of the benefit when it was adopted. Members who were hired before April 1, 1986 lost their eligibility for premium-free Medicare Part A through their City employment. As changes occur in the health care environment, it is reasonable that we review our benefits program to ensure that we are continuing to provide benefits as they were intended.

The additional annual costs that could be generated if Medicare Part B IRMAA premiums were to be reimbursed cannot be determined by LACERS alone, hence the survey of 9,784 Retired Members was conducted with a 32% response rate providing an estimated number of Retired Members who are currently paying Medicare Part B IRMAA premiums. This same breakdown of respondents' income tiers was used to estimate the number of Retired Members, out of the 1,386 Retired Members with Medicare Part B only and enrolled in a LACERS-sponsored medical plan, who are paying Part B basic and/or Part B IRMAA premium. Therefore, staff is recommending that LACERS or the CAO, on behalf of the plan sponsor, commission a cost study using actuarial methods to more accurately identify costs of reimbursing the basic Medicare Part B for Part B Only Members and IRMAAs for Members who have surplus subsidy.

Strategic Plan Impact Statement

The IRMAA and Medicare Part B reimbursement recommendation, supports LACERS Strategic Plan Goal to improve value and minimize costs of Members' health and wellness benefits.

Prepared By: Ada Lok, Senior Benefits Analyst I, Glen Malabuyoc, Senior Benefits Analyst I, Margaret Drenk, Senior Benefits Analyst II, and Karen Freire, Chief Benefits Analyst.

NMG/DW/AL

Attachment: Report to Board of Administration dated June 8, 2021

REPORT TO BOARD OF ADMINISTRATION | **MEETING: JUNE 8, 2021**
From: Neil M. Guglielmo, General Manager | **ITEM: VI-A**

SUBJECT: **FEDERAL LEGISLATION IMPACTING RETIREE INCOME AND POSSIBLE BOARD ACTION**

ACTION: ☒ CLOSED: ☐ CONSENT: ☐ RECEIVE & FILE: ☐

Recommendation

That the Board authorize staff to:

Communicate to the Mayor and the City Council the Board's recommendation that the City take a position in support of HR 82, Social Security Fairness Act of 2021, and any other bills that would rectify inequities resulting from the Windfall Elimination and Government Pension Offset provisions.

Direct staff, in consultation with City Attorney's Office, to communicate to the City Council regarding the impact of excluding Income-Related Adjustment Amounts in Medicare Part B reimbursements for LACERS members, and to assist Council in considering an ordinance to amend Los Angeles Administrative Code Section 4.1113 to include this reimbursement while continuing to exclude penalties. If the Administrative Code is amended, staff would also prepare proposed changes to LACERS Board Rule HBA 9 for the Board's approval.

Executive Summary

If a Member receives a pension from LACERS and is eligible for Social Security benefits from previous work outside of the City of Los Angeles, Social Security's Windfall Elimination and Government Pension Offset provisions reduce Social Security benefits received by Members. This is not applied universally and can have significant financial implications for Members, especially those with lower income.

Discussion

Background

Recently, staff received a complaint from a retired Member about his Social Security benefit being significantly reduced because he was receiving a pension from LACERS. This is done in compliance with the Social Security Administration's Windfall Elimination Provision (WEP), which has been challenged in the past. The Member inquired if LACERS has taken a position on this provision.

LACERS can not take positions on political or legislative issues, but can alert the City of any issues that might impact retirement benefits. Staff recommends that the Board submit a request to the Mayor's Office and City Council to review and possibly take a position to rectify the inequities resulting from the WEP.

Windfall Elimination and Government Pension Offset Provisions

The WEP allows Social Security to reduce someone's benefit if they receive a pension from an employer that did not pay Social Security taxes. City of Los Angeles employees do not pay Social Security taxes and are subject to this provision. More specifically, the WEP applies to those who:

- Reached age 62 after 1985; or
- Became disabled after 1985; and
- First became eligible for a monthly pension based on working for the City after 1985.

However, this provision does not apply to everyone. Exceptions include:

- Federal workers first hired after December 31, 1983;
- Employees of a non-profit organization who were exempt from Social Security coverage on December 31, 1983, unless the non-profit organization waived exemption and did pay Social Security taxes, but then the waiver was terminated prior to December 31, 1983;
- Those whose only pension is for railroad employment;
- Employees whose only work performed without paying Social Security taxes was before 1957;
- People with 30 or more years of substantial earnings under Social Security.

Although LACERS makes many efforts to inform Members of the potential reduction of their Social Security benefits, many are not aware of the WEP until they are close to retirement or when they get their first Social Security benefit. It can be alarming, as they may be relying on their full Social Security benefit, which they have worked for and contributed towards, in order supplement their LACERS benefit. Retirees are predominantly on a reduced fixed income and a reduction in their Social Security benefits can create financial hardship.

Example:

> *A single person paid into Social Security for 15 years, earning an average annual income of $50,000 from 1986 to 2000, and then worked for the City from 2001 to 2021, earning an average annual income of $129,500, and retiring at the age of 67 with a pension of $4662 (approximately the average LACERS service retirement pension). The Social Security benefit before the WEP reduction would be $1,911.* After applying the WEP reduction (based in part on the LACERS pension amount), the benefit would be reduced by $537, or 28%, to $1,374.*
>
> *Estimate based on a Social Security benefit calculator on the AARP website. The Social Security website will only allow someone to estimate their own benefit.

In December 2020, about 1.9 million people (or about 3% of all Social Security beneficiaries) were affected by the WEP. The WEP is not applied universally, but anyone who worked for the City of Los Angeles is likely to experience a reduction of their Social Security benefit. These reductions can be substantial, up to one-half of one's pension, and research has shown that the WEP reduces benefits disproportionately for lower-earning households (*Social Security: The Windfall Elimination Provision*, Congressional Research Services, February 4, 2021, https://fas.org/sgp/crs/misc/98-35.pdf).

The Windfall Elimination Provision only affects the benefit of the retiree. However, an employee's spouse may be eligible to also receive a benefit based on the retiree's work history and earnings and there is another provision called the Government Pension Offset that will reduce the benefit received by a retiree's spouse or surviving spouse who is receiving a government pension from employment where Social Security taxes were not paid.

The spousal benefit was considered a "dependent benefit," intended to provide support to spouses that did not work, which was the norm when the benefit was created in the 1930s. Because today it is more common for both spouses in a household to be working and earning a pension, this provision adjusts a retiree's spouse/survivor benefit by two-thirds of the government pension amount the spouse/survivor is receiving, possibly reducing it to $0. If the spouse is receiving a Social Security pension, the spousal benefit is reduced by the entire pension amount.

Example:

> *An active Member is preparing to retire with a LACERS pension of $5,300. Her spouse worked in the private sector and based on his employment history has earned a pension for himself and a spousal benefit of $1,500 for his wife, the LACERS Member. However, because his spouse is receiving a pension from LACERS, this spousal benefit will be reduced by two-thirds of her pension amount, or $3,533. The reduction is greater than the spousal benefit, so she would not receive this benefit.*

Legal/Political Action

Over the years, legislation has been introduced to repeal or amend these provisions. There is bipartisan support in eliminating these provisions and last year, President Biden included in his legislative agenda repealing these provisions.

In the 116th Congress, several acts in relation to the WEP/GPO were presented to Congress, but not acted upon. In the current 117th Congress, HR 82 (Social Security Fairness Act of 2021) has been introduced to repeal the WEP and GPO. In 2016 (the most recent estimate available), Social Security Administration's Office of the Chief Actuary (OCACT) projected that repealing both the WEP and the GPO would reduce the long-range actuarial balance (i.e., increase the net long-term cost) of the combined Social Security trust funds by 0.13% of taxable payroll. In 2018, the OCACT estimated that repealing only the WEP would reduce the long-range actuarial balance of the combined trust funds by 0.08% of taxable payroll. Repealing just the GPO would reduce these funds by 0.06% of taxable payroll.

On March 1, 2021, the Supreme Court agreed to hear a case regarding the WEP. In **Babcock v. Saul**, Dkt. No. 20-480, the Court will address the statutory interpretation of the Social Security Act's windfall elimination provision and whether a civil service pension received for federal civilian employment as a "military technician" constitutes a "payment based wholly on service as a member of a uniformed service." The petitioner was formerly employed as a National Guard dual-status technician. When he applied for social security benefits, he was granted Social Security but his benefits were decreased under the Windfall Elimination Provision of the Social Security Act because of his Civil Service

Retirement System pension. The petitioner is arguing that he should qualify for the uniformed-services exception to the WEP. Since this case concerns a narrow issue of statutory interpretation, the Court's ruling will not impact the application of the WEP to LACERS members. The case is currently being briefed and is scheduled to be argued before the Court during the October 2021 term.

Medicare Premium Income-Related Monthly Adjustment Amounts

When Members turn age 65, in order to receive a LACERS medical subsidy, they need to enroll in Medicare and are responsible for paying out-of-pocket the premium cost of Medicare Part B. The Los Angeles Administrative Code (LAAC) allows for Members enrolled in both Medicare Parts A and B to be reimbursed the basic/standard Medicare Part B premium. Originally, the LAAC indicated that the reimbursement would be for the "basic" premium, but the language was updated to reflect "basic/standard" in subsequent technical changes.The term "basic" or "standard" premium is not defined or referenced in the LAAC, although CMS does refer to the Part B premium, not including late enrollment penalties or Income Related Adjustment Amounts (IRMAAs), as "standard." And the Board Rules do indicate that the Part B premium reimbursement will not include IRMAAs.

IRMAAs were introduced in 2007 and are additional premium costs that were added to Medicare Part B premiums based on income reported to the Internal Revenue Service two years earlier and whether you file individually, separately, or jointly. In 2021, IRMAAs are assessed for people with income over $88,000. The more income one has, the higher the amount of additional premium cost. We regularly receive complaints from Members about these IRMAAs because they increase their medical costs and create the perception that their medical subsidy is devalued. The cost of living varies between states and California is the third most expensive state to live in (https://worldpopulationreview.com/state-rankings/most-expensive-states-to-live-in), so although some of our retirees may be considered "high income," their expenses are likely higher than people living in other states. The vast majority of Members enrolled in a LACERS health plan reside in California.

<u>2021 Medicare Part B Premiums</u>

If your yearly income in 2019 (for what you pay in 2021) was			You pay each month (in 2021)
File individual tax return	File joint tax return	File married & separate tax return	
$88,000 or less	$176,000 or less	$88,000 or less	$148.50
above $88,000 up to $111,000	above $176,000 up to $222,000	Not applicable	$207.90
above $111,000 up to $138,000	above $222,000 up to $276,000	Not applicable	$297.00
above $138,000 up to $165,000	above $276,000 up to $330,000	Not applicable	$386.10
above $165,000 and less than $500,000	above $330,000 and less than $750,000	above $88,000 and less than $412,000	$475.20
$500,000 or above	$750,000 and above	$412,000 and above	$504.90

Example:

A 64-year-old retiree with an income of $115,000, 25 years of Service Credit, and enrolled in the Kaiser HMO plan receives a subsidy amount sufficient to provide full coverage of the $853 premium. The next year, when eligible for Medicare, this same retiree will enroll in the Kaiser Senior Advantage plan and receive full coverage of the $262 premium, will have to pay the standard Medicare Part B premium of $148.50, plus the IRMAA of $148.50 per month. If the Member has Medicare Part A, the standard premium of $148.50 will be reimbursed, but not the IRMAA. So, this Member went from having full coverage of premium costs to paying out of pocket $148.50/month, even though the cost of the plan is now $591 less. Of course, Members with greater income will pay even more out of pocket, up to $356/month in IRMAAs.

Based on the attached chart from the 2019 Actuarial Valuation, approximately 2,000 retired Members would be assessed IRMAAs. This is only according to their LACERS pension. Staff has no way of knowing if they have additional income from other sources, what their household income or their tax filing status is.

This benefit was established long before 2007 and did not take into account IRMAAs because they did not exist at the time; it was meant to not reimburse late-enrollment penalty costs. When IRMAAs were introduced, LACERS updated its Board Rules and recommended technical changes based on the original language of reimbursing only the "basic" premium. However, Iit is possible that the original intent was to exclude reimbursement for penalties but to provide reimbursement of the premium cost, including IRMAAs. Staff researched Council files trying to find the report creating the benefit in order to shed more light on the legislative intent of the Council at the time the benefit was created, however, it could not be located.

Below is the relevant Ad Code Section and Board Rule for reference.

Sec. 4.1113. Medicare Part B Basic Premium Reimbursement Program.

This program is provided to reimburse the cost of the Medicare Part B basic premium to eligible retirees, as hereafter defined.

(a) **Reimbursement.** Reimbursement shall be limited to the Medicare Part B basic/standard premium (Medical Insurance). No reimbursement shall be paid for Medicare Part B costs that exceed the basic/standard premium.

(b) **Eligible Retiree.** In order to participate in the Medicare Part B Basic Premium Reimbursement Program, a retiree must be eligible to receive a medical plan premium subsidy, enrolled in Medicare Parts A and B, and either enrolled in a Medicare supplemental or coordinated plan administered by the Board or be a participant in the Medical Premium Reimbursement Program. Only retired employees may participate in this program.

(c) **Verification of Eligibility for Reimbursement.** Premium reimbursement shall be paid to a retiree who qualifies to participate in this program when sufficient proof of the retiree's Medicare Part A and Part B enrollment, coverage, and premium payment has been made as required by the Board.

(d) **No Dependent Reimbursement.** Premium reimbursement may not be applied toward coverage for dependents of retirees.

SECTION HISTORY

Added by Ord. No. 182,629, Eff. 7-25-13.

Amended by: Ord. No. 184,134, Eff. 1-22-16; Subsec. (a) amended and Subsec. (d) added, Ord. No. 184,853, Eff. 4-6-17.

LACERS Board Rule

HBA 9: The requirements and rules related to Medicare Insurance plan coverage are as follows:

- The medical plan premiums of a LACERS Senior Plan will only include Medicare "basic or standard" premiums covering only those portions of the Medicare premiums that do not include Income-Related Monthly Adjustment Amounts (IRMAAs).
- LACERS will not cover Eligible Primary Subscriber costs or provide reimbursements for any Medicare premium-related IRMAAs.
- Eligible Primary Subscribers and their dependents subject to a Medicare Part D Late Enrollment Penalty, charged by the Centers for Medicare and Medicaid Services (CMS), shall have this penalty amount deducted from an Eligible Primary Subscriber's monthly LACERS allowance or continuance payments to the dependent(s).

(Revised: June 14, 2016)

Conclusion

The WEP and GPO negatively impact the amount of Social Security benefits Members would receive because they have earned a pension solely from their employment with the City of Los Angeles, an employer that does not pay into Social Security. Additionally, not all employees are subject to the WEP; certain federal workers and railroad employees are exempted. City employees being denied entitlement to their full Social Security benefit could have serious fiscal implications for lower wage earners.

When Members enroll in Medicare Parts A and B, LACERS health plan premiums are significantly reduced, yet depending on a Member's taxable income, their cost of enrolling in a LACERS medical plan may actually increase as a result of Medicare Part B IRMAAs.

Staff is recommending that the Board take the above-recommended actions, in coordination with the City Council and the City Attorney, for the best interests of the LACERS membership.

Prepared By: Alex Rabrenovich, Chief Benefits Analyst, Health Benefits and Wellness Division

NMG/AR:ar

Attachments: 1. Windfall Elimination Provision Information Sheet
2. Government Pensions Offset Information Sheet
3. Retiree Monthly Amounts Chart

Board Meeting of 6/8/2021
Item No.: VI-A
Attachment 1

Windfall Elimination Provision

Your Social Security retirement or disability benefits can be reduced

The Windfall Elimination Provision can affect how we calculate your retirement or disability benefit. If you work for an employer who doesn't withhold Social Security taxes from your salary, such as a government agency or an employer in another country, any retirement or disability pension you get from that work can reduce your Social Security benefits.

When your benefits can be affected

This provision can affect you when you earn a retirement or disability pension from an employer who didn't withhold Social Security taxes ***and*** you qualify for Social Security retirement or disability benefits from work in other jobs for which you did pay taxes.

The Windfall Elimination Provision can apply if:

- You reached age 62 after 1985; or
- You became disabled after 1985; and
- You first became eligible for a monthly pension based on work where you didn't pay Social Security taxes after 1985. This rule applies even if you're still working.

This provision also affects Social Security benefits for people who performed federal service under the Civil Service Retirement System (CSRS) after 1956. We won't reduce your Social Security benefit amounts if you only performed federal service under a system such as the Federal Employees' Retirement System (FERS). Social Security taxes are withheld for workers under FERS.

How it works

Social Security benefits are intended to replace only some of a worker's pre-retirement earnings.

We base your Social Security benefit on your average monthly earnings adjusted for average wage growth. We separate your average earnings into three amounts and multiply the amounts using three factors to compute your full Primary Insurance Amount (PIA). For example, for a worker who turns 62 in 2021, the first $996 of average monthly earnings is multiplied by 90 percent; earnings between $996 and $6,002 are multiplied by 32 percent; and the balance by 15 percent. The sum of the three amounts equals the PIA, which is then decreased or increased depending on whether the worker starts benefits before or after full retirement age (FRA). This formula produces the monthly payment amount.

When we apply this formula, the percentage of career average earnings paid to lower-paid workers is greater than higher-paid workers. For example, workers age 62 in 2021, with average earnings of $3,000 per month could receive a benefit at FRA of $1,537 (approximately 50 percent) of their pre-retirement earnings increased by applicable cost of living adjustments (COLAs). For a worker with average earnings of $8,000 per month, the benefit starting at FRA could be $2,798 (approximately 35 percent) plus COLAs. However, if either of these workers start benefits earlier than their FRA, we'll reduce their monthly benefit.

Why we use a different formula

Before 1983, people whose primary job wasn't covered by Social Security had their Social Security benefits calculated as if they were long-term, low-wage workers. They had the advantage of receiving a Social Security benefit representing a higher percentage of their earnings, plus a pension from a job for which they didn't pay Social Security taxes. Congress passed the Windfall Elimination Provision to remove that advantage.

Under the provision, we reduce the 90 percent factor in our formula and phase it in for workers who reached age 62 or became disabled between 1986 and 1989. For people who reach 62 or became disabled in 1990 or later, we reduce the 90 percent factor to as little as 40 percent.

Some exceptions

The Windfall Elimination Provision doesn't apply if:

- You're a federal worker first hired after December 31, 1983.
- You're an employee of a non-profit organization who was exempt from Social Security coverage on December 31,1983, unless the non-profit organization waived exemption and did pay Social Security taxes, but then the waiver was terminated prior to December 31, 1983.
- Your only pension is for railroad employment.
- The only work you performed for which you didn't pay Social Security taxes was before 1957.
- You have 30 or more years of substantial earnings under Social Security.

The Windfall Elimination Provision doesn't apply to survivors benefits. We may reduce spouses, widows, or widowers benefits because of another law. For more information, read *Government Pension Offset* (Publication No. 05-10007).

Social Security years of substantial earnings

If you have 30 or more years of substantial earnings, we don't reduce the standard 90 percent factor in our formula. See the first table that lists substantial earnings for each year.

The second table shows the percentage used to reduce the 90 percent factor depending on the number of years of substantial earnings. If you have 21 to 29 years of substantial earnings, we reduce the 90 percent factor to between 45 and 85 percent. To see the maximum amount we could reduce your benefit, visit ***www.ssa.gov/benefits/retirement/planner/wep.html***.

A guarantee

The law protects you if you get a low pension. We won't reduce your Social Security benefit by more than half of your pension for earnings after 1956 on which you didn't pay Social Security taxes.

Contacting Social Security

The most convenient way to do business with us from anywhere, on any device, is to visit ***www.ssa.gov***. There are several things you can do online: apply for benefits; get useful information; find publications; and get answers to frequently asked questions.

When you open a personal *my* Social Security account, you have more capabilities. You can review your *Social Security Statement*, verify your earnings, and get estimates of future benefits. You can also print a benefit verification letter, change your direct deposit information, request a replacement Medicare card, get a replacement SSA-1099/1042S, and request a replacement Social Security card (if you have no changes and your state participates).

If you don't have access to the internet, we offer many automated services by telephone, 24 hours a day, 7 days a week. Call us toll-free at **1-800-772-1213** or at our TTY number, **1-800-325-0778**, if you're deaf or hard of hearing.

A member of our staff can answer your call from 7 a.m. to 7 p.m., Monday through Friday. We ask for your patience during busy periods since you may experience a high rate of busy signals and longer hold times to speak to us. We look forward to serving you.

Year	Substantial earnings
1937–1954	$900
1955–1958	$1,050
1959–1965	$1,200
1966–1967	$1,650
1968–1971	$1,950
1972	$2,250
1973	$2,700
1974	$3,300
1975	$3,525
1976	$3,825
1977	$4,125
1978	$4,425
1979	$4,725
1980	$5,100
1981	$5,550
1982	$6,075
1983	$6,675
1984	$7,050
1985	$7,425
1986	$7,875
1987	$8,175
1988	$8,400

Year	Substantial earnings
1989	$8,925
1990	$9,525
1991	$9,900
1992	$10,350
1993	$10,725
1994	$11,250
1995	$11,325
1996	$11,625
1997	$12,150
1998	$12,675
1999	$13,425
2000	$14,175
2001	$14,925
2002	$15,750
2003	$16,125
2004	$16,275
2005	$16,725
2006	$17,475
2007	$18,150
2008	$18,975
2009–2011	$19,800
2012	$20,475

Year	Substantial earnings
2013	$21,075
2014	$21,750
2015-2016	$22,050
2017	$23,625
2018	$23,850
2019	$24,675
2020	$25,575
2021	$26,550

Years of substantial earnings	Percentage
30 or more	90 percent
29	85 percent
28	80 percent
27	75 percent
26	70 percent
25	65 percent
24	60 percent
23	55 percent
22	50 percent
21	45 percent
20 or less	40 percent

Securing today and tomorrow

Social Security Administration
Publication No. 05-10045
January 2021 (Recycle prior editions)
Windfall Elimination Provision
Produced and published at U.S. taxpayer expense

Government Pension Offset

A law that affects spouses and widows or widowers

If you receive a retirement or disability pension from a federal, state, or local government based on your own work for which you didn't pay Social Security taxes, we may reduce your Social Security spouses or widows or widowers benefits. This fact sheet provides answers to questions you may have about the reduction.

How much will my Social Security benefits be reduced?

We'll reduce your Social Security benefits by two-thirds of your government pension. In other words, if you get a monthly civil service pension of $600, two-thirds of that, or $400, must be deducted from your Social Security benefits. For example, if you're eligible for a $500 spouses, widows, or widowers benefit from Social Security, you'll get $100 a month from Social Security ($500 – $400 = $100). If two-thirds of your government pension is more than your Social Security benefit, your benefit could be reduced to zero.

If you take your government pension annuity in a lump sum, Social Security will calculate the reduction as if you chose to get monthly benefit payments from your government work.

Why will my Social Security benefits be reduced?

Benefits we pay to spouses, widows, and widowers are "dependent" benefits. Set up in the 1930s, these benefits were to compensate spouses who stayed home to raise a family and were financially dependent on the working spouse. It's now common for both spouses to work, each earning their own Social Security retirement benefit. The law requires a person's spouse, widow, or widower benefit to be offset by the dollar amount of their own retirement benefit.

For example, if a woman worked and earned her own $800 monthly Social Security benefit, but was also due a $500 spouse's benefit on her husband's record, we couldn't pay that spouse's benefit because her own benefit offsets it. Before enactment of the Government Pension Offset law, if that same woman was a government employee who didn't pay into Social Security and earned an $800 government pension, there was no offset. We had to pay her a full spouse's benefit and her full government pension.

If this person's government work had been subject to Social Security taxes, we would reduce any spouse, widow, or widower benefit because of their own Social Security retirement benefit. The Government Pension Offset ensures that we calculate the benefits of government employees who don't pay Social Security taxes the same as workers in the private sector who pay Social Security taxes.

When won't my Social Security benefits be reduced?

Generally, we won't reduce your Social Security benefits as a spouse, widow, or widower if you:

- Receive a government pension that's not based on your earnings; or
- Are a federal (including Civil Service Offset), state, or local government employee and your government pension is from a job for which you paid Social Security taxes; and:
  —Your last day of employment (that your pension is based on) is before July 1, 2004; or
  —You filed for and were entitled to spouses, widows, or widowers benefits before April 1, 2004 (you may work your last day in Social Security covered employment at any time); or
  —You paid Social Security taxes on your earnings during the last 60 months of government service. (Under certain

conditions, we require fewer than 60 months for people whose last day of employment falls after June 30, 2004, and before March 2, 2009.)

There are other situations for which we won't reduce your Social Security benefits as a spouse, widow, or widower; for example, if you:

- Are a federal employee who switched from the Civil Service Retirement System (CSRS) to the Federal Employees' Retirement System (FERS) after December 31, 1987; and:
  - —Your last day of service (that your pension is based on) is before July 1, 2004;
  - —You paid Social Security taxes on your earnings for 60 months or more during the period beginning January 1988 and ending with the first month of entitlement to benefits; or
  - —You filed for and were entitled to spouses, widows, or widowers benefits before April 1, 2004 (you may work your last day in Social Security covered employment at any time).
- Received, or were eligible to receive, a government pension before December 1982 and meet all the requirements for Social Security spouse's benefits in effect in January 1977; or
- Received, or were eligible to receive, a federal, state, or local government pension before July 1, 1983, and were receiving one-half support from your spouse.

Note: *A Civil Service Offset employee is a federal employee, rehired after December 31, 1983, following a break in service of more than 365 days, with five years of prior CSRS coverage.*

What about Medicare?

Even if you don't get benefit payments from your spouse's work, you can still get Medicare at age 65 on your spouse's record if you aren't eligible for it on your own record.

Can I still get Social Security benefits from my own work?

The offset applies only to Social Security benefits as a spouse, or widow, or widower. However, we may reduce your own benefits because of another provision. For more information, go online to read *Windfall Elimination Provision* (Publication No. 05-10045).

Contacting Social Security

The most convenient way to contact us anytime, anywhere is to visit ***www.socialsecurity.gov***. There, you can: apply for benefits; open a *my* Social Security account, which you can use to review your *Social Security Statement*, verify your earnings, print a benefit verification letter, change your direct deposit information, request a replacement Medicare card, and get a replacement SSA-1099/1042S; obtain valuable information; find publications; get answers to frequently asked questions; and much more.

If you don't have access to the internet, we offer many automated services by telephone, 24 hours a day, 7 days a week. Call us toll-free at **1-800-772-1213** or at our TTY number, **1-800-325-0778**, if you're deaf or hard of hearing.

If you need to speak to a person, we can answer your calls from 7 a.m. to 7 p.m., Monday through Friday. We ask for your patience during busy periods since you may experience higher than usual rate of busy signals and longer hold times to speak to us. We look forward to serving you.

Securing today
and tomorrow

Social Security Administration
Publication No. 05-10007 | ICN 451453 | Unit of Issue — HD (one hundred)
May 2019 (Recycle prior editions)
Government Pension Offset
Produced and published at U.S. taxpayer expense

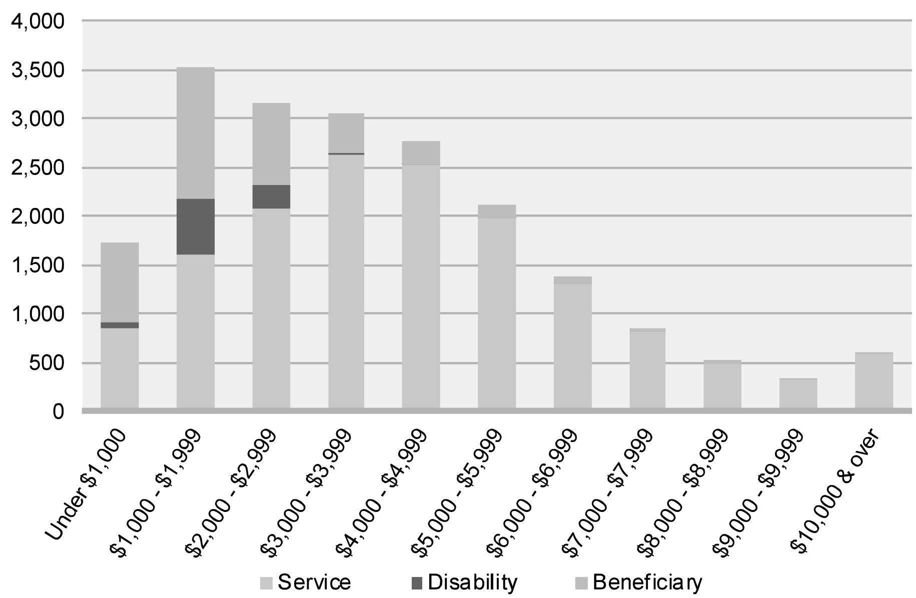
Retired Members and Beneficiaries

As of June 30, 2019, 16,053 retired members and 3,981 beneficiaries were receiving total monthly benefits of $78,965,717. For comparison, in the previous valuation, there were 15,477 retired members and 3,902 beneficiaries receiving monthly benefits of $73,339,309.

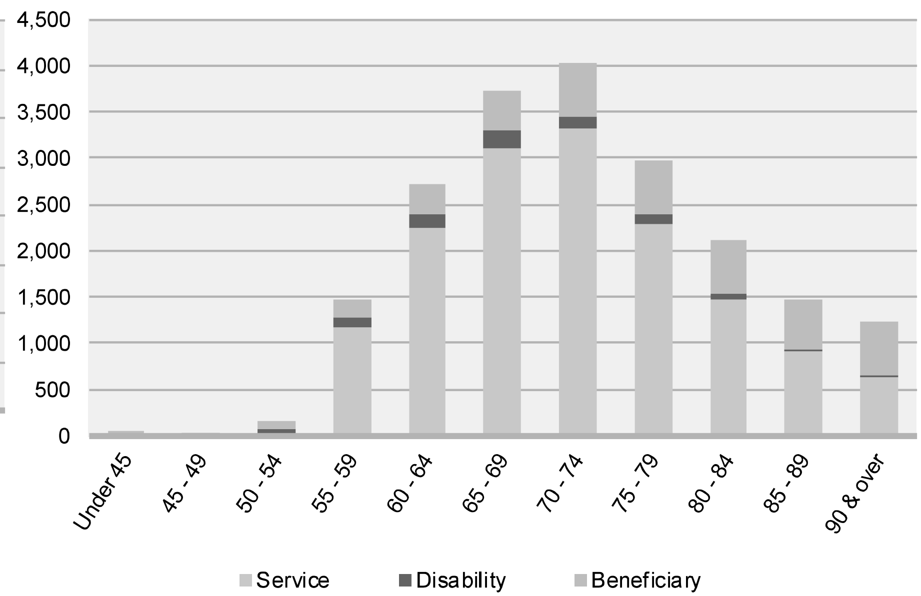
As of June 30, 2019, the average monthly benefit for retired members and beneficiaries is $3,942, compared to $3,784 in the previous valuation. The average age for retired members and beneficiaries is 72.5 in the current valuation, compared with 72.5 in the prior valuation.

Distribution of Retired Members and Beneficiaries as of June 30, 2019

RETIRED MEMBERS AND BENEFICIARIES BY TYPE AND MONTHLY AMOUNT



RETIRED MEMBERS AND BENEFICIARIES BY TYPE AND AGE



ATTACHMENT 3

LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

REPORT TO BOARD OF ADMINISTRATION

From: <u>Benefits Administration Committee</u>
Michael R. Wilkinson, Chair
Annie Chao
Thuy Huynh

MEETING: AUGUST 23, 2022
ITEM: VII - D

SUBJECT: **INCOME-RELATED MONTHLY ADJUSTMENT AMOUNTS (IRMAA) AND MEDICARE PART B ONLY REIMBURSEMENT CONSIDERATION AND POSSIBLE BOARD ACTION**

ACTION: ☒ CLOSED: ☐ CONSENT: ☐ RECEIVE & FILE: ☐

Recommendation

That the Board to approve the following:

1. Authorize a budgetary expenditure and direct LACERS plan actuary, the Segal Company, to conduct an actuarial cost study to explore the Medicare Part B Income-Related Monthly Adjustment Amount (IRMAA) and the Medicare Part B (Medical) reimbursements; and
2. Share this report with the Office of the City Administrative Officer (CAO).

Executive Summary

LACERS consistently receives feedback from Members requesting a change to the LACERS benefit to allow for the medical subsidy to reimburse Members' *Medicare Part B Income-Related Monthly Adjustment Amounts* (IRMAAs), and to reimburse the *Medicare Part B basic premiums* for LACERS Members who started City employment prior to April 1, 1986 and are currently excluded from reimbursement. Due to the increased interest by our Members, and the largest City retiree association, a report to the Benefits Administration Committee (BAC) was submitted on these two issues.

Discussion

At a special meeting held on August 9, 2022, staff presented to the BAC recommendations regarding the Income-Related Monthly Adjustment Amount (IRMAA) and Medicare Part B Only reimbursement as described in the attached Committee report. The Committee discussed the options presented and directed staff to forward the proposed recommendations herein to the Board.

Strategic Plan Impact Statement

The IRMAA and Medicare Part B reimbursement recommendation supports LACERS Strategic Plan Goal to improve value and minimize costs of Members' health and wellness benefits.

Prepared By: Ada Lok, Senior Benefits Analyst I, Glen Malabuyoc, Senior Benefits Analyst I, Margaret Drenk, Senior Benefits Analyst II, and Karen Freire, Chief Benefits Analyst.

NMG/DWN/AL

Attachment: 1. August 9, 2022 Benefits Administration Committee Report

BOARD Meeting: 08/23/2022
Item: VII-D
ATTACHMENT

LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

REPORT TO BENEFITS ADMINISTRATION COMMITTEE **MEETING: AUGUST 9, 2022**
From: Neil M. Guglielmo, General Manager **ITEM: V**

SUBJECT: **INCOME-RELATED MONTHLY ADJUSTMENT AMOUNTS (IRMAA) AND MEDICARE PART B ONLY REIMBURSEMENT CONSIDERATION AND POSSIBLE COMMITTEE ACTION**

ACTION: ☒ CLOSED: ☐ CONSENT: ☐ RECEIVE & FILE: ☐

Recommendation

That the Committee provide direction on option(s) to recommend to the Board:

1. Authorize a budgetary expenditure and direct LACERS plan actuary, the Segal Company, to conduct an actuarial cost study to explore the Medicare Part B Income-Related Monthly Adjustment Amount (IRMAA) and the Medicare Part B (Medical) reimbursements; and/or
2. Share this report with the Office of the City Administrative Officer (CAO); and/or
3. Direct staff to explore additional Committee recommendations.

Executive Summary

LACERS consistently receives feedback from Members requesting a change to the LACERS benefit to allow for the medical subsidy to reimburse Members' *Medicare Part B Income-Related Monthly Adjustment Amounts* (IRMAAs), and to reimburse the *Medicare Part B basic premiums* for LACERS Members who started City employment prior to April 1, 1986 and are currently excluded from reimbursement. Due to the increased interest by our Members, and the largest City retiree association, LACERS conducted preliminary research and analysis of these two issues. To enact the requested benefit change, an actuarial cost study must be completed and an ordinance adopted by City Council and Mayor to effectuate the benefit.

This report provides a preliminary analysis of these issues and recommendation for the Committee to provide direction on the commission of the actuarial study and the consideration of the benefit changes. The key findings of the report include:

IRMAAs

- The Medicare Part B premium reimbursement benefit was adopted in the 1980s before IRMAAs were contemplated and introduced in 2007[1].
- In a survey of ten California pension plans, three plans, California Public Employees' Retirement system (CalPERS), Water and Power Employees' Retirement Plan (WPERP), and San Diego County Employees' Retirement System (SDCERS) provide reimbursement of Part B IRMAAs from Members' subsidies, while Los Angeles Fire and Police Pensions (LAFPP) and six other plans do not.
- In a survey of 9,874 LACERS Members to ascertain the cost of their IRMAAs, 3,089 or 32% responded with 791 or 26% of respondents paying IRMAAs.
- Using the percentage distribution of Members from the survey, applied to the 9,874 Members, the estimated additional costs of reimbursing IRMAAs in 2023, adjusted annually based on the current Centers for Medicare and Medicaid (CMS) rates and changes in Members' personal income bracket, are:
    - Medicare Parts A and B – $17.5 million for Tiers I and II; $20 million for Tiers I to III; and $26 million for all tiers (Table 3)

Part B Only

- The 1973 ordinance establishing the Retiree Health Program included providing reimbursement of Medicare Part B reimbursement to Members enrolled in Medicare Parts A (Hospitalization) and B (Medical); however, the ordinance did not address reimbursements for Part B only enrollees.
- There are 1,386 Retired Members with Medicare Part B only. This group will decrease over time.
- Out of three City Pension Systems providing retiree health benefits, only the Department of Water and Power provides Medicare Part B only premium reimbursement.
- The estimated costs of providing Part B Members with reimbursement of basic rates plus IRMAA, to be adjusted annually based on CMS rates, are:
    - Medicare Part B only – $2.5 million for Tiers I and II; $2.8 million for Tiers I to III; and $3.7 million for all tiers (Table 5)

The Los Angeles Administrative Code (LAAC) Section 4.1113 and 4.1128 authorizes LACERS to reimburse the Medicare Part B basic premium to Retired LACERS Members (Members) enrolled in Medicare Parts A and B, enrolled in a LACERS Senior Plan, and receiving LACERS medical subsidy. Any required Medicare premiums that Members must pay, outside of the authority listed in the LAAC, Members are not reimbursed. This includes Members who started employment prior to April 1, 1986, who did not contribute to Medicare Part A, and are also required to enroll in Medicare Part B, but are not reimbursed the basic premium.

Some Members pay additional premium amounts called the Income-Related Monthly Adjustment Amounts (IRMAAs) based on their taxable income and could be based not just on the Member's retirement allowance from LACERS, but also include: the spouse's income/retirement allowance, employment earnings, profit made from a business activity, investment income from properties or investments, capital gains on the sale of property or any related income reported to the Internal

[1] Section 1839 of the Social Security Act (as amended by section 811 of the Medicare Modernization Act) creates an income-related reduction in Part B premium subsidies effective January 2007.

Revenue Service (IRS). For Members to comply with Medicare, they are required to not just pay for the basic Medicare Part B premium, but if required, also the IRMAA. Because the IRMAA is based on the Member's taxable income, LACERS is unable to determine the number of Members who pay IRMAA. Therefore, LACERS conducted a survey to determine the number of Members impacted by IRMAA, as well as the annual cost for IRMAA reimbursement.

Discussion

IRMAA

LACERS administers medical insurance plans for its early retirees (age 55 – 64) and Medicare-eligible retirees (age 65+). For Medicare-eligible retired Members and their health plan dependents, LACERS offers medical plans that integrate Medicare Part B and Medicare Parts A and B benefits. LACERS refers to these plans as "senior plans." When a Member or their dependent enrolls in a LACERS senior plan, they also enroll in Medicare Part D (Prescription Drug).

On or after April 1, 1986, the City of Los Angeles (City) and its employees are required to pay into Medicare for employees hired when the requirement for all agencies to pay into Medicare was enacted. For these employees, once they achieved 40 credits with Medicare, they are eligible to receive Medicare Part A at no cost. Employees hired before this date are not eligible for Medicare Part A through their City employment but may be eligible through a spouse or employment outside of the City.

Once a Member or health plan dependent qualifies for Medicare, in order to continue coverage in a LACERS medical plan, the LAAC requires them to enroll in Medicare Part B (Medical), and if eligible to receive it for free, Part A (Hospitalization).

When enrolling in Medicare Part B, Members and their dependents must pay the Part B premium out-of-pocket. The premium cost can change every year and the amount can be different for each person. There is a basic premium that everyone must pay and, depending on income and tax filing status, there may be additional premium costs called Income-Related Monthly Adjustment Amounts (IRMAAs). For 2022, the basic premium is $170.10 and premiums with IRMAAs range from $238.10 to $578.30. The premiums fall into six premium tiers as listed in Table 1.

Table 1. 2022 Medicare Part B Premiums
Members' income in 2020 (for what Members pay in premiums in 2022)

Premium Tier	Filed individual tax return	Filed joint tax return	Filed married & separate tax return	Member Monthly Premium (in 2022)*
I	$91,000 or less	$182,000 or less	$91,000 or less	$170.10
II	above $91,000 up to $114,000	above $182,000 up to $228,000	Not applicable	$238.10
III	above $114,000 up to $142,000	above $228,000 up to $284,000	Not applicable	$340.20
IV	above $142,000 up to $170,000	above $284,000 up to $340,000	Not applicable	$442.30

V	above $170,000 and less than $500,000	above $340,000 and less than $750,000	above $91,000 and less than $409,000	$544.30
VI	$500,000 or above	$750,000 or above	$409,000 or above	$578.30

Note: IRMAAs are calculated based on the highest income of the tax returns filed two years prior.

Medicare's coverage of Part A (Hospitalization) significantly lowers LACERS' cost for premiums for senior plans, which may be the reason that Members enrolled in both Medicare Parts A and B are reimbursed for the monthly Medicare Part B basic premiums. This benefit is only available to the retired Member, not their health plan dependents or survivors.

Cost of IRMAAs

LACERS requires that Members show proof of Medicare enrollment when enrolling in a LACERS senior plan or participating in the Medical Premium Reimbursement Program. Acceptable proof is a copy of their Medicare card or entitlement letter from Social Security. These documents indicate that a Member has been successfully enrolled in Medicare, but does not provide insight into their Medicare Part B premium cost. LACERS has no access to each Member’s Medicare Part B premium, which is needed to determine the potential cost of reimbursing Medicare Part B premiums beyond the standard premium. Therefore, in 2021 the Board authorized staff to conduct a survey to determine the Members’ out-of-pocket Part B premium costs, including IRMAAs, and to provide the information to the City for consideration in amending the current Part B premium reimbursement benefit.

On November 1, 2021, a Medicare Part B Premium Survey was mailed out to Members receiving a Medicare Part B premium reimbursement to determine Members’ actual Part B premium cost.

Survey Methodology

With the assistance of the LACERS health and welfare consultant, Keenan & Associates, staff created a two-question Medicare Part B Premium Survey and distributed by first-class mail to 9,784 Retired Members who are currently receiving a Part B premium reimbursement. To maintain confidentiality, code numbers were used to identify the completed surveys and no personal identifiers were used.

In addition, the self-mailer contained an explanation of the purpose of the survey and instructions for completing the survey by mail or by accessing an online version provided through a link to the LACERS website. Members were asked two questions: 1) are you a retired LACERS Member currently enrolled in Medicare Parts A and B and receiving a Medicare Part B premium reimbursement? 2) what amount best describes your Medicare Part B premium, including any IRMAA costs (do not include Medicare Part D IRMAAs)?

Survey Results

A total of 3,089 completed surveys (2,551 or 82.6% via mail and 538 or 17.4% online) were received, or a 32% response rate, which is considered an acceptable percentage for validity based on the size of the population surveyed. A breakout of the responses is shown in Table 2.

Table 2. Medicare Part B Premium Survey Results			
2021 Part B Premium Tier	Member Reported Premium Amounts*	Number of Members Paying Premium Tier	Percentage of Members Paying Premium Tier
I (Basic)	$148.50	2,298	74.4%
II	**$207.90** to $279.70	283	9.2%
III	**$297.00** to $348.00	193	6.2%
IV	**$386.10** to $462.70	143	4.6%
V and VI**	**$475.20** to $494.67 and **$504.90** to $545.90	172	5.6%
Totals		**3,089**	**100.0%**

*The bolded amounts in this column are the usual premium for Members within the associated income bracket. Although most Members within the different income brackets pay the usual amount, a few Members reported different premiums. Some Members pay amounts other than those listed for various reasons, such as the "hold harmless provision," the late Part B enrollment penalty or the Medicare Part D IRMAA (Tiers II to VI). The "hold harmless provision" limits annual Medicare Part B premium increases for certain individuals to an amount that does not decrease their Social Security benefit. This provision comes into effect when the Social Security cost-of-living adjustment is low, and the Medicare Part B premium increase is greater than a person's Social Security benefit increase.

**Tiers V and VI were combined because the difference between the premium amounts is much less than between the other tiers.

As shown in Table 3, LACERS has identified 9,784 Members who are receiving a Medicare Part B premium reimbursement. Based on the survey responses, it is estimated that about 26% of LACERS Members pay IRMAAs.

Table 3. Estimated 2022 and 2023*** Part B Premium Payments						
2022 Part B Premium Tier	Basic/IRMAA Premium Amounts	Estimated Number of Members Paying Premium Amount	% of Members Paying Premium Amount	Total Monthly Basic/IRMAA Payment Estimate (Tier II-VI incremental)	Total Annual Basic/IRMAA Payment Estimate (Tier II-VI incremental)	Running Total of Part B with IRMAA Premium Costs
I (Basic)	$170.10	7,280	74.4%	$1,238,328	$14,859,936	$14,859,936
II	**$238.10**	900	9.2%	$ 214,290	$ 2,571,480	$17,431,416
III						

	$340.20	606	6.2%	$ 206,161	$ 2,473,932	$19,905,348
IV	**$442.30**	450	4.6%	$ 199,035	$ 2,388,420	$22,293,768
V and VI	**$544.30** and **$578.30** (ave. $561.30)	548	5.6%	$ 307,592	$ 3,691,104	$25,984,872
Totals		9,784	100%	$2,165,406	$25,984,872	
Projected Cost of IRMAAs				**$ 927,078**	**$11,124,936**	

Projecting future costs can be difficult because the number of LACERS Members enrolled in Medicare Parts A and B change continuously, and the Part B premiums and IRMAA income brackets can change annually, as can Members' income or tax filing status. For example, in 2022, the income threshold used to assess IRMAAs changed from $88,000 to $91,000 for those filing individual tax returns. Additionally, when IRMAAs are assessed, both Medicare Part B and Medicare Part D premiums are increased by the surcharge.

*** Centers for Medicare and Medicaid (CMS) released a report recently and projected no increase in the 2023 Medicare Part B standard/basic premium.

MEDICARE PART B ONLY

The City began reimbursing Medicare Part B basic premium to retirees who had Medicare Parts A and B in accordance with the ordinance which established the Retiree Health Insurance Program in October 1973. Retired Members with Medicare Part B only are not reimbursed their Part B basic premium as the Los Angeles Administrative Code Section 4.1113 (b) limits the reimbursement to Retired Members with Medicare Parts A and B. The reason that only those who have Medicare Parts A and B have been reimbursed may be that Medicare Part A's hospitalization coverage and capitation payments significantly lowers medical plan premium costs, i.e. the senior plans which require enrollees to have Parts A and B have much lower premiums than non-senior Part B only plans.

As of June 30, 2022, there are 1,386 retired Members with Medicare Part B only enrolled in a LACERS-sponsored medical plan. These retired Members were hired before April 1, 1986, when the requirement for all agencies to pay into Social Security pay the Medicare Part A (Medicare tax) was enacted. At that time, the City decided not to give these employees the option to pay into their Medicare tax; hence, they are not eligible for premium-free Medicare Part A through their City employment. Currently, there are 212 full-time and 6 part-time Active Members hired before this date. Based on LACERS' records, they are not currently eligible for premium-free Medicare Part A through a spouse or employment outside of the City.

The Part B only population is very small and decreasing each year, with reimbursement costs expected to follow this same trend. Using the same percentages as the Medicare Part B IRMAA survey was used, Table 4 shows an estimate of reimbursement costs of Part B basic premium to the Retired Members who have Medicare Part B only.

Table 4. Estimated 2022 Medicare Part B Basic Premium Payments Reimbursement – Retired Members with Medicare Part B only (see Table 1 for the Tiers' income range)					
2022 Part B Premium Tier	Basic/IRMAA Premium Amounts	Estimated Number of Members Paying Premium Amount	% of Members Paying Premium Amount	Total Monthly Basic Premium Payment Estimate	Total Annual Basic Premium Payment Estimate
I (Basic)	$170.10	1,031	74.4%	$175,373	$2,104,476
II	**$238.10**	128	9.2%	$21,773	$261,276
III	**$340.20**	86	6.2%	$14,629	$175,548
IV	**$442.30**	64	4.6%	$10,886	$130,632
V and VI	**$544.30** and **$578.30**	77	5.6%	$13,098	$157,176
Totals		**1,386**	**100.0%**	**$235,759**	**$2,829,108**

Table 5 shows a breakout of the reimbursement costs of Part B basic premium and Part B IRMAAs to the Retired Members who have Medicare Part B only.

Table 5. Estimated 2022 Medicare Part B Basic Premium and IRMAA Payments Reimbursement – Retired Members with Medicare Part B only						
2022 Part B Premium Tier	Basic/IRMAA Premium Amounts	Estimated Number of Members Paying Premium Amount	% of Members Paying Premium Amount	Total Monthly Basic/IRMAA Payment Estimate (Tier II-VI incremental)	Total Annual Basic/IRMAA Payment Estimate (Tier II-VI incremental)	Running Total of Part B with IRMAA Premium Costs
I (Basic)	$170.10	1,031	74.40%	$175,373	$2,104,476	$2,104,476
II	**$238.10**	128	9.20%	$30,477	$365,724	$2,470,200
III	**$340.20**	86	6.20%	$29,257	$351,084	$2,821,284
IV	**$442.30**	64	4.60%	$28,307	$339,684	$3,160,968
V and VI	**$544.30** and **$578.30** (ave. $561.30)	77	5.60%	$43,220	$518,640	$3,679,608

Totals		1,386	100%	$306,634	$3,679,608	
Projected Cost of IRMAAs				**$131,261**	**$1,575,132**	

Survey of other Retirement Systems

IRMAA

In July 2021, LACERS conducted an informal survey of other California public retirement systems to determine retirements systems that were providing IRMAA reimbursements. Of the 10 agencies that had participated, the Department of Water and Power (WPERP), the San Diego County Employees Retirement System (SDCERA), and the California Public Employees' Retirement System (CalPERS) reimburse their Retired Members their Medicare premiums, including Medicare Part B IRMAAs, with the limitation that the reimbursement cannot exceed each Member's medical subsidy amount.

CalPERS State of CA	**KCERA** Kern County	**LACERA** LA County	**LAFPP** LA Fire Police	**OCERS** Orange County
Reimburses Part B IRMAA if there is excess subsidy	No plans to reimburse Part B IRMAA	No plans to reimburse Part B IRMAA	No plans to reimburse Part B IRMAA	No plans to reimburse Part B IRMAA
SBCERA San Bernardino	**SBCERS** Santa Barbara	**SDCERA** San Diego	**SFERS** San Francisco	**WPERP** LA Water Power
No plans to reimburse Part B IRMAA	No plans to reimburse Part B IRMAA	Reimburses Part B IRMAA if there is excess subsidy	No plans to reimburse Part B IRMAA	Reimburses Part B IRMAA if there is excess subsidy

Medicare Part B Only Members

LACERS surveyed LAFPP and WPERP on their reimbursements for Members with Part B Only. The Los Angeles Fire and Police Pension currently does not reimburse basic Medicare Part B premiums for their Part B only members and the Department of Water and Power Health Benefits, which administers health benefits for both their active and retired employees, does reimburse Medicare Part B basic premiums, as well as IRMAA, for their Part B only members.

California, State and Nationwide Public Retirement Systems

LACERS also reached out to the California Association of Public Retirement Systems (CALAPRS), the State Association of County Retirement Systems (SACRS), and National Conference on Public Employee Retirement Systems (NCPERS) and received confirmation that no survey had been conducted on other public retirement systems' approaches in providing Part B IRMAA and/or Part B only reimbursements to retirees. Staff is in the process of creating a short survey so that NCPERS can distribute to their members.

RECOMMENDATION

Los Angeles Administrative Code Section 4.1113 (a) states "Reimbursement shall be limited to the Medicare Part B basic premium (Medical). No reimbursement shall be paid for Medicare Part B costs that exceed the basic premium."

LACERS requires that Members enroll in Medicare Part B to maintain coverage in a LACERS medical plan. Only Members who are enrolled in Medicare Parts A and B are reimbursed the Part B basic premium. However, LACERS consistently receives feedback from two other groups of Members - those who are enrolled in Medicare Parts A and B and paying Part B IRMAA premium; and those who are enrolled in Medicare Part B only and paying Part B basic and/or Part B IRMAA premiums. Members pay Part B premiums out-of-pocket and, although LACERS subsidizes medical plan premiums based on years of Service Credit with the City, the required out-of-pocket IRMAA and/or Part B only premium expense is not currently subsidized and essentially reduces the value of a Member's medical subsidy.

IRMAAs did not exist and were not contemplated as part of the benefit when it was adopted. Members who were hired before April 1, 1986 lost their eligibility for premium-free Medicare Part A through their City employment. As changes occur in the health care environment, it is reasonable that we review our benefits program to ensure that we are continuing to provide benefits as they were intended.

The additional annual costs that could be generated if Medicare Part B IRMAA premiums were to be reimbursed cannot be determined by LACERS alone, hence the survey of 9,784 Retired Members was conducted with a 32% response rate providing an estimated number of Retired Members who are currently paying Medicare Part B IRMAA premiums. This same breakdown of respondents' income tiers was used to estimate the number of Retired Members, out of the 1,386 Retired Members with Medicare Part B only and enrolled in a LACERS-sponsored medical plan, who are paying Part B basic and/or Part B IRMAA premium. Therefore, staff is recommending that LACERS or the CAO, on behalf of the plan sponsor, commission a cost study using actuarial methods to more accurately identify costs of reimbursing the basic Medicare Part B for Part B Only Members and IRMAAs for Members who have surplus subsidy.

Strategic Plan Impact Statement

The IRMAA and Medicare Part B reimbursement recommendation, supports LACERS Strategic Plan Goal to improve value and minimize costs of Members' health and wellness benefits.

Prepared By: Ada Lok, Senior Benefits Analyst I, Glen Malabuyoc, Senior Benefits Analyst I, Margaret Drenk, Senior Benefits Analyst II, and Karen Freire, Chief Benefits Analyst.

NMG/DW/AL

Attachment: Report to Board of Administration dated June 8, 2021

LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

REPORT TO BOARD OF ADMINISTRATION
From: Neil M. Guglielmo, General Manager

MEETING: JUNE 8, 2021
ITEM: VI-A

SUBJECT: **FEDERAL LEGISLATION IMPACTING RETIREE INCOME AND POSSIBLE BOARD ACTION**

ACTION: ☒ CLOSED: ☐ CONSENT: ☐ RECEIVE & FILE: ☐

Recommendation

That the Board authorize staff to:

Communicate to the Mayor and the City Council the Board's recommendation that the City take a position in support of HR 82, Social Security Fairness Act of 2021, and any other bills that would rectify inequities resulting from the Windfall Elimination and Government Pension Offset provisions.

Direct staff, in consultation with City Attorney's Office, to communicate to the City Council regarding the impact of excluding Income-Related Adjustment Amounts in Medicare Part B reimbursements for LACERS members, and to assist Council in considering an ordinance to amend Los Angeles Administrative Code Section 4.1113 to include this reimbursement while continuing to exclude penalties. If the Administrative Code is amended, staff would also prepare proposed changes to LACERS Board Rule HBA 9 for the Board's approval.

Executive Summary

If a Member receives a pension from LACERS and is eligible for Social Security benefits from previous work outside of the City of Los Angeles, Social Security's Windfall Elimination and Government Pension Offset provisions reduce Social Security benefits received by Members. This is not applied universally and can have significant financial implications for Members, especially those with lower income.

Discussion

Background

Recently, staff received a complaint from a retired Member about his Social Security benefit being significantly reduced because he was receiving a pension from LACERS. This is done in compliance with the Social Security Administration's Windfall Elimination Provision (WEP), which has been challenged in the past. The Member inquired if LACERS has taken a position on this provision.

LACERS can not take positions on political or legislative issues, but can alert the City of any issues that might impact retirement benefits. Staff recommends that the Board submit a request to the Mayor's Office and City Council to review and possibly take a position to rectify the inequities resulting from the WEP.

Windfall Elimination and Government Pension Offset Provisions

The WEP allows Social Security to reduce someone's benefit if they receive a pension from an employer that did not pay Social Security taxes. City of Los Angeles employees do not pay Social Security taxes and are subject to this provision. More specifically, the WEP applies to those who:

- Reached age 62 after 1985; or
- Became disabled after 1985; and
- First became eligible for a monthly pension based on working for the City after 1985.

However, this provision does not apply to everyone. Exceptions include:

- Federal workers first hired after December 31, 1983;
- Employees of a non-profit organization who were exempt from Social Security coverage on December 31, 1983, unless the non-profit organization waived exemption and did pay Social Security taxes, but then the waiver was terminated prior to December 31, 1983;
- Those whose only pension is for railroad employment;
- Employees whose only work performed without paying Social Security taxes was before 1957;
- People with 30 or more years of substantial earnings under Social Security.

Although LACERS makes many efforts to inform Members of the potential reduction of their Social Security benefits, many are not aware of the WEP until they are close to retirement or when they get their first Social Security benefit. It can be alarming, as they may be relying on their full Social Security benefit, which they have worked for and contributed towards, in order supplement their LACERS benefit. Retirees are predominantly on a reduced fixed income and a reduction in their Social Security benefits can create financial hardship.

Example:

> *A single person paid into Social Security for 15 years, earning an average annual income of $50,000 from 1986 to 2000, and then worked for the City from 2001 to 2021, earning an average annual income of $129,500, and retiring at the age of 67 with a pension of $4662 (approximately the average LACERS service retirement pension). The Social Security benefit before the WEP reduction would be $1,911.* After applying the WEP reduction (based in part on the LACERS pension amount), the benefit would be reduced by $537, or 28%, to $1,374.*
>
> *Estimate based on a Social Security benefit calculator on the AARP website. The Social Security website will only allow someone to estimate their own benefit.

In December 2020, about 1.9 million people (or about 3% of all Social Security beneficiaries) were affected by the WEP. The WEP is not applied universally, but anyone who worked for the City of Los Angeles is likely to experience a reduction of their Social Security benefit. These reductions can be substantial, up to one-half of one's pension, and research has shown that the WEP reduces benefits disproportionately for lower-earning households (*Social Security: The Windfall Elimination Provision*, Congressional Research Services, February 4, 2021, https://fas.org/sgp/crs/misc/98-35.pdf).

The Windfall Elimination Provision only affects the benefit of the retiree. However, an employee's spouse may be eligible to also receive a benefit based on the retiree's work history and earnings and there is another provision called the Government Pension Offset that will reduce the benefit received by a retiree's spouse or surviving spouse who is receiving a government pension from employment where Social Security taxes were not paid.

The spousal benefit was considered a "dependent benefit," intended to provide support to spouses that did not work, which was the norm when the benefit was created in the 1930s. Because today it is more common for both spouses in a household to be working and earning a pension, this provision adjusts a retiree's spouse/survivor benefit by two-thirds of the government pension amount the spouse/survivor is receiving, possibly reducing it to $0. If the spouse is receiving a Social Security pension, the spousal benefit is reduced by the entire pension amount.

Example:

> *An active Member is preparing to retire with a LACERS pension of $5,300. Her spouse worked in the private sector and based on his employment history has earned a pension for himself and a spousal benefit of $1,500 for his wife, the LACERS Member. However, because his spouse is receiving a pension from LACERS, this spousal benefit will be reduced by two-thirds of her pension amount, or $3,533. The reduction is greater than the spousal benefit, so she would not receive this benefit.*

Legal/Political Action

Over the years, legislation has been introduced to repeal or amend these provisions. There is bipartisan support in eliminating these provisions and last year, President Biden included in his legislative agenda repealing these provisions.

In the 116th Congress, several acts in relation to the WEP/GPO were presented to Congress, but not acted upon. In the current 117th Congress, HR 82 (Social Security Fairness Act of 2021) has been introduced to repeal the WEP and GPO. In 2016 (the most recent estimate available), Social Security Administration's Office of the Chief Actuary (OCACT) projected that repealing both the WEP and the GPO would reduce the long-range actuarial balance (i.e., increase the net long-term cost) of the combined Social Security trust funds by 0.13% of taxable payroll. In 2018, the OCACT estimated that repealing only the WEP would reduce the long-range actuarial balance of the combined trust funds by 0.08% of taxable payroll. Repealing just the GPO would reduce these funds by 0.06% of taxable payroll.

On March 1, 2021, the Supreme Court agreed to hear a case regarding the WEP. In **Babcock v. Saul**, Dkt. No. 20-480, the Court will address the statutory interpretation of the Social Security Act's windfall elimination provision and whether a civil service pension received for federal civilian employment as a "military technician" constitutes a "payment based wholly on service as a member of a uniformed service." The petitioner was formerly employed as a National Guard dual-status technician. When he applied for social security benefits, he was granted Social Security but his benefits were decreased under the Windfall Elimination Provision of the Social Security Act because of his Civil Service

Retirement System pension. The petitioner is arguing that he should qualify for the uniformed-services exception to the WEP. Since this case concerns a narrow issue of statutory interpretation, the Court's ruling will not impact the application of the WEP to LACERS members. The case is currently being briefed and is scheduled to be argued before the Court during the October 2021 term.

Medicare Premium Income-Related Monthly Adjustment Amounts

When Members turn age 65, in order to receive a LACERS medical subsidy, they need to enroll in Medicare and are responsible for paying out-of-pocket the premium cost of Medicare Part B. The Los Angeles Administrative Code (LAAC) allows for Members enrolled in both Medicare Parts A and B to be reimbursed the basic/standard Medicare Part B premium. Originally, the LAAC indicated that the reimbursement would be for the "basic" premium, but the language was updated to reflect "basic/standard" in subsequent technical changes.The term “basic” or “standard” premium is not defined or referenced in the LAAC, although CMS does refer to the Part B premium, not including late enrollment penalties or Income Related Adjustment Amounts (IRMAAs), as "standard." And the Board Rules do indicate that the Part B premium reimbursement will not include IRMAAs.

IRMAAs were introduced in 2007 and are additional premium costs that were added to Medicare Part B premiums based on income reported to the Internal Revenue Service two years earlier and whether you file individually, separately, or jointly. In 2021, IRMAAs are assessed for people with income over $88,000. The more income one has, the higher the amount of additional premium cost. We regularly receive complaints from Members about these IRMAAs because they increase their medical costs and create the perception that their medical subsidy is devalued. The cost of living varies between states and California is the third most expensive state to live in (https://worldpopulationreview.com/state-rankings/most-expensive-states-to-live-in), so although some of our retirees may be considered “high income,” their expenses are likely higher than people living in other states. The vast majority of Members enrolled in a LACERS health plan reside in California.

<u>2021 Medicare Part B Premiums</u>

If your yearly income in 2019 (for what you pay in 2021) was			You pay each month (in 2021)
File individual tax return	File joint tax return	File married & separate tax return	
$88,000 or less	$176,000 or less	$88,000 or less	$148.50
above $88,000 up to $111,000	above $176,000 up to $222,000	Not applicable	$207.90
above $111,000 up to $138,000	above $222,000 up to $276,000	Not applicable	$297.00
above $138,000 up to $165,000	above $276,000 up to $330,000	Not applicable	$386.10
above $165,000 and less than $500,000	above $330,000 and less than $750,000	above $88,000 and less than $412,000	$475.20
$500,000 or above	$750,000 and above	$412,000 and above	$504.90

Example:

A 64-year-old retiree with an income of $115,000, 25 years of Service Credit, and enrolled in the Kaiser HMO plan receives a subsidy amount sufficient to provide full coverage of the $853 premium. The next year, when eligible for Medicare, this same retiree will enroll in the Kaiser Senior Advantage plan and receive full coverage of the $262 premium, will have to pay the standard Medicare Part B premium of $148.50, plus the IRMAA of $148.50 per month. If the Member has Medicare Part A, the standard premium of $148.50 will be reimbursed, but not the IRMAA. So, this Member went from having full coverage of premium costs to paying out of pocket $148.50/month, even though the cost of the plan is now $591 less. Of course, Members with greater income will pay even more out of pocket, up to $356/month in IRMAAs.

Based on the attached chart from the 2019 Actuarial Valuation, approximately 2,000 retired Members would be assessed IRMAAs. This is only according to their LACERS pension. Staff has no way of knowing if they have additional income from other sources, what their household income or their tax filing status is.

This benefit was established long before 2007 and did not take into account IRMAAs because they did not exist at the time; it was meant to not reimburse late-enrollment penalty costs. When IRMAAs were introduced, LACERS updated its Board Rules and recommended technical changes based on the original language of reimbursing only the "basic" premium. However, Iit is possible that the original intent was to exclude reimbursement for penalties but to provide reimbursement of the premium cost, including IRMAAs. Staff researched Council files trying to find the report creating the benefit in order to shed more light on the legislative intent of the Council at the time the benefit was created, however, it could not be located.

Below is the relevant Ad Code Section and Board Rule for reference.

Sec. 4.1113. Medicare Part B Basic Premium Reimbursement Program.

This program is provided to reimburse the cost of the Medicare Part B basic premium to eligible retirees, as hereafter defined.

(a) **Reimbursement.** Reimbursement shall be limited to the Medicare Part B basic/standard premium (Medical Insurance). No reimbursement shall be paid for Medicare Part B costs that exceed the basic/standard premium.

(b) **Eligible Retiree.** In order to participate in the Medicare Part B Basic Premium Reimbursement Program, a retiree must be eligible to receive a medical plan premium subsidy, enrolled in Medicare Parts A and B, and either enrolled in a Medicare supplemental or coordinated plan administered by the Board or be a participant in the Medical Premium Reimbursement Program. Only retired employees may participate in this program.

(c) **Verification of Eligibility for Reimbursement.** Premium reimbursement shall be paid to a retiree who qualifies to participate in this program when sufficient proof of the retiree’s Medicare Part A and Part B enrollment, coverage, and premium payment has been made as required by the Board.

(d) **No Dependent Reimbursement.** Premium reimbursement may not be applied toward coverage for dependents of retirees.

SECTION HISTORY

Added by Ord. No. 182,629, Eff. 7-25-13.

Amended by: Ord. No. 184,134, Eff. 1-22-16; Subsec. (a) amended and Subsec. (d) added, Ord. No. 184,853, Eff. 4-6-17.

LACERS Board Rule

HBA 9: The requirements and rules related to Medicare Insurance plan coverage are as follows:

- The medical plan premiums of a LACERS Senior Plan will only include Medicare "basic or standard" premiums covering only those portions of the Medicare premiums that do not include Income-Related Monthly Adjustment Amounts (IRMAAs).
- LACERS will not cover Eligible Primary Subscriber costs or provide reimbursements for any Medicare premium-related IRMAAs.
- Eligible Primary Subscribers and their dependents subject to a Medicare Part D Late Enrollment Penalty, charged by the Centers for Medicare and Medicaid Services (CMS), shall have this penalty amount deducted from an Eligible Primary Subscriber's monthly LACERS allowance or continuance payments to the dependent(s).

(Revised: June 14, 2016)

Conclusion

The WEP and GPO negatively impact the amount of Social Security benefits Members would receive because they have earned a pension solely from their employment with the City of Los Angeles, an employer that does not pay into Social Security. Additionally, not all employees are subject to the WEP; certain federal workers and railroad employees are exempted. City employees being denied entitlement to their full Social Security benefit could have serious fiscal implications for lower wage earners.

When Members enroll in Medicare Parts A and B, LACERS health plan premiums are significantly reduced, yet depending on a Member's taxable income, their cost of enrolling in a LACERS medical plan may actually increase as a result of Medicare Part B IRMAAs.

Staff is recommending that the Board take the above-recommended actions, in coordination with the City Council and the City Attorney, for the best interests of the LACERS membership.

<u>Prepared By:</u> Alex Rabrenovich, Chief Benefits Analyst, Health Benefits and Wellness Division

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Attachments: 1. Windfall Elimination Provision Information Sheet
2. Government Pensions Offset Information Sheet
3. Retiree Monthly Amounts Chart

Board Meeting of 6/8/2021
Item No.: VI-A
Attachment 1

Windfall Elimination Provision

Your Social Security retirement or disability benefits can be reduced

The Windfall Elimination Provision can affect how we calculate your retirement or disability benefit. If you work for an employer who doesn't withhold Social Security taxes from your salary, such as a government agency or an employer in another country, any retirement or disability pension you get from that work can reduce your Social Security benefits.

When your benefits can be affected

This provision can affect you when you earn a retirement or disability pension from an employer who didn't withhold Social Security taxes ***and*** you qualify for Social Security retirement or disability benefits from work in other jobs for which you did pay taxes.

The Windfall Elimination Provision can apply if:

- You reached age 62 after 1985; or
- You became disabled after 1985; and
- You first became eligible for a monthly pension based on work where you didn't pay Social Security taxes after 1985. This rule applies even if you're still working.

This provision also affects Social Security benefits for people who performed federal service under the Civil Service Retirement System (CSRS) after 1956. We won't reduce your Social Security benefit amounts if you only performed federal service under a system such as the Federal Employees' Retirement System (FERS). Social Security taxes are withheld for workers under FERS.

How it works

Social Security benefits are intended to replace only some of a worker's pre-retirement earnings.

We base your Social Security benefit on your average monthly earnings adjusted for average wage growth. We separate your average earnings into three amounts and multiply the amounts using three factors to compute your full Primary Insurance Amount (PIA). For example, for a worker who turns 62 in 2021, the first $996 of average monthly earnings is multiplied by 90 percent; earnings between $996 and $6,002 are multiplied by 32 percent; and the balance by 15 percent. The sum of the three amounts equals the PIA, which is then decreased or increased depending on whether the worker starts benefits before or after full retirement age (FRA). This formula produces the monthly payment amount.

When we apply this formula, the percentage of career average earnings paid to lower-paid workers is greater than higher-paid workers. For example, workers age 62 in 2021, with average earnings of $3,000 per month could receive a benefit at FRA of $1,537 (approximately 50 percent) of their pre-retirement earnings increased by applicable cost of living adjustments (COLAs). For a worker with average earnings of $8,000 per month, the benefit starting at FRA could be $2,798 (approximately 35 percent) plus COLAs. However, if either of these workers start benefits earlier than their FRA, we'll reduce their monthly benefit.

Why we use a different formula

Before 1983, people whose primary job wasn't covered by Social Security had their Social Security benefits calculated as if they were long-term, low-wage workers. They had the advantage of receiving a Social Security benefit representing a higher percentage of their earnings, plus a pension from a job for which they didn't pay Social Security taxes. Congress passed the Windfall Elimination Provision to remove that advantage.

Under the provision, we reduce the 90 percent factor in our formula and phase it in for workers who reached age 62 or became disabled between 1986 and 1989. For people who reach 62 or became disabled in 1990 or later, we reduce the 90 percent factor to as little as 40 percent.

Some exceptions

The Windfall Elimination Provision doesn't apply if:

- You're a federal worker first hired after December 31, 1983.
- You're an employee of a non-profit organization who was exempt from Social Security coverage on December 31,1983, unless the non-profit organization waived exemption and did pay Social Security taxes, but then the waiver was terminated prior to December 31, 1983.
- Your only pension is for railroad employment.
- The only work you performed for which you didn't pay Social Security taxes was before 1957.
- You have 30 or more years of substantial earnings under Social Security.

The Windfall Elimination Provision doesn't apply to survivors benefits. We may reduce spouses, widows, or widowers benefits because of another law. For more information, read *Government Pension Offset* (Publication No. 05-10007).

Social Security years of substantial earnings

If you have 30 or more years of substantial earnings, we don't reduce the standard 90 percent factor in our formula. See the first table that lists substantial earnings for each year.

The second table shows the percentage used to reduce the 90 percent factor depending on the number of years of substantial earnings. If you have 21 to 29 years of substantial earnings, we reduce the 90 percent factor to between 45 and 85 percent. To see the maximum amount we could reduce your benefit, visit ***www.ssa.gov/benefits/retirement/planner/wep.html***.

A guarantee

The law protects you if you get a low pension. We won't reduce your Social Security benefit by more than half of your pension for earnings after 1956 on which you didn't pay Social Security taxes.

Contacting Social Security

The most convenient way to do business with us from anywhere, on any device, is to visit ***www.ssa.gov***. There are several things you can do online: apply for benefits; get useful information; find publications; and get answers to frequently asked questions.

When you open a personal *my* Social Security account, you have more capabilities. You can review your *Social Security Statement*, verify your earnings, and get estimates of future benefits. You can also print a benefit verification letter, change your direct deposit information, request a replacement Medicare card, get a replacement SSA-1099/1042S, and request a replacement Social Security card (if you have no changes and your state participates).

If you don't have access to the internet, we offer many automated services by telephone, 24 hours a day, 7 days a week. Call us toll-free at **1-800-772-1213** or at our TTY number, **1-800-325-0778**, if you're deaf or hard of hearing.

A member of our staff can answer your call from 7 a.m. to 7 p.m., Monday through Friday. We ask for your patience during busy periods since you may experience a high rate of busy signals and longer hold times to speak to us. We look forward to serving you.

Year	Substantial earnings
1937–1954	$900
1955–1958	$1,050
1959–1965	$1,200
1966–1967	$1,650
1968–1971	$1,950
1972	$2,250
1973	$2,700
1974	$3,300
1975	$3,525
1976	$3,825
1977	$4,125
1978	$4,425
1979	$4,725
1980	$5,100
1981	$5,550
1982	$6,075
1983	$6,675
1984	$7,050
1985	$7,425
1986	$7,875
1987	$8,175
1988	$8,400

Year	Substantial earnings
1989	$8,925
1990	$9,525
1991	$9,900
1992	$10,350
1993	$10,725
1994	$11,250
1995	$11,325
1996	$11,625
1997	$12,150
1998	$12,675
1999	$13,425
2000	$14,175
2001	$14,925
2002	$15,750
2003	$16,125
2004	$16,275
2005	$16,725
2006	$17,475
2007	$18,150
2008	$18,975
2009–2011	$19,800
2012	$20,475

Year	Substantial earnings
2013	$21,075
2014	$21,750
2015-2016	$22,050
2017	$23,625
2018	$23,850
2019	$24,675
2020	$25,575
2021	$26,550

Years of substantial earnings	Percentage
30 or more	90 percent
29	85 percent
28	80 percent
27	75 percent
26	70 percent
25	65 percent
24	60 percent
23	55 percent
22	50 percent
21	45 percent
20 or less	40 percent

Securing today
and tomorrow

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Government Pension Offset

A law that affects spouses and widows or widowers

If you receive a retirement or disability pension from a federal, state, or local government based on your own work for which you didn't pay Social Security taxes, we may reduce your Social Security spouses or widows or widowers benefits. This fact sheet provides answers to questions you may have about the reduction.

How much will my Social Security benefits be reduced?

We'll reduce your Social Security benefits by two-thirds of your government pension. In other words, if you get a monthly civil service pension of $600, two-thirds of that, or $400, must be deducted from your Social Security benefits. For example, if you're eligible for a $500 spouses, widows, or widowers benefit from Social Security, you'll get $100 a month from Social Security ($500 – $400 = $100). If two-thirds of your government pension is more than your Social Security benefit, your benefit could be reduced to zero.

If you take your government pension annuity in a lump sum, Social Security will calculate the reduction as if you chose to get monthly benefit payments from your government work.

Why will my Social Security benefits be reduced?

Benefits we pay to spouses, widows, and widowers are "dependent" benefits. Set up in the 1930s, these benefits were to compensate spouses who stayed home to raise a family and were financially dependent on the working spouse. It's now common for both spouses to work, each earning their own Social Security retirement benefit. The law requires a person's spouse, widow, or widower benefit to be offset by the dollar amount of their own retirement benefit.

For example, if a woman worked and earned her own $800 monthly Social Security benefit, but was also due a $500 spouse's benefit on her husband's record, we couldn't pay that spouse's benefit because her own benefit offsets it. Before enactment of the Government Pension Offset law, if that same woman was a government employee who didn't pay into Social Security and earned an $800 government pension, there was no offset. We had to pay her a full spouse's benefit and her full government pension.

If this person's government work had been subject to Social Security taxes, we would reduce any spouse, widow, or widower benefit because of their own Social Security retirement benefit. The Government Pension Offset ensures that we calculate the benefits of government employees who don't pay Social Security taxes the same as workers in the private sector who pay Social Security taxes.

When won't my Social Security benefits be reduced?

Generally, we won't reduce your Social Security benefits as a spouse, widow, or widower if you:

- Receive a government pension that's not based on your earnings; or
- Are a federal (including Civil Service Offset), state, or local government employee and your government pension is from a job for which you paid Social Security taxes; and:
  - —Your last day of employment (that your pension is based on) is before July 1, 2004; or
  - —You filed for and were entitled to spouses, widows, or widowers benefits before April 1, 2004 (you may work your last day in Social Security covered employment at any time); or
  - —You paid Social Security taxes on your earnings during the last 60 months of government service. (Under certain

conditions, we require fewer than 60 months for people whose last day of employment falls after June 30, 2004, and before March 2, 2009.)

There are other situations for which we won't reduce your Social Security benefits as a spouse, widow, or widower; for example, if you:

- Are a federal employee who switched from the Civil Service Retirement System (CSRS) to the Federal Employees' Retirement System (FERS) after December 31, 1987; and:
  - —Your last day of service (that your pension is based on) is before July 1, 2004;
  - —You paid Social Security taxes on your earnings for 60 months or more during the period beginning January 1988 and ending with the first month of entitlement to benefits; or
  - —You filed for and were entitled to spouses, widows, or widowers benefits before April 1, 2004 (you may work your last day in Social Security covered employment at any time).
- Received, or were eligible to receive, a government pension before December 1982 and meet all the requirements for Social Security spouse's benefits in effect in January 1977; or
- Received, or were eligible to receive, a federal, state, or local government pension before July 1, 1983, and were receiving one-half support from your spouse.

Note: *A Civil Service Offset employee is a federal employee, rehired after December 31, 1983, following a break in service of more than 365 days, with five years of prior CSRS coverage.*

What about Medicare?

Even if you don't get benefit payments from your spouse's work, you can still get Medicare at age 65 on your spouse's record if you aren't eligible for it on your own record.

Can I still get Social Security benefits from my own work?

The offset applies only to Social Security benefits as a spouse, or widow, or widower. However, we may reduce your own benefits because of another provision. For more information, go online to read *Windfall Elimination Provision* (Publication No. 05-10045).

Contacting Social Security

The most convenient way to contact us anytime, anywhere is to visit ***www.socialsecurity.gov***. There, you can: apply for benefits; open a *my* Social Security account, which you can use to review your *Social Security Statement*, verify your earnings, print a benefit verification letter, change your direct deposit information, request a replacement Medicare card, and get a replacement SSA-1099/1042S; obtain valuable information; find publications; get answers to frequently asked questions; and much more.

If you don't have access to the internet, we offer many automated services by telephone, 24 hours a day, 7 days a week. Call us toll-free at **1-800-772-1213** or at our TTY number, **1-800-325-0778**, if you're deaf or hard of hearing.

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