



# LACERS Active News

Los Angeles City Employees' Retirement System

Volume 3, Issue 2, Summer 2010

## General Manager's Message – Summer 2010



*Mayor Antonio Villaraigosa visits LACERS staff on March 2, 2010.*

You are likely aware that public employees' pensions is a "hot button" topic these days. Locally, the City is grappling with budget challenges with employee salaries, benefits, and pensions all being scrutinized by our elected officials, tax-payer watchdogs, and the public. We know that political rhetoric can be confusing, so when it comes to questions about your pension and retirement benefits, we ask you to stay informed and to come to the source.

As the administrator of your pension system, LACERS is the source of all your pension benefits related information. To that end, LACERS has recently updated and launched its new website at [LACERS.org](http://LACERS.org) to assist all LACERS Members, both Active and Retired City Employees, in obtaining accurate, current, consistent, and topical pension related information. LACERS also operates a Call Center should you need additional information.

As the City continues to be challenged by the current local, state and national financial environment, LACERS will publish information regarding issues related to your retirement benefits. You can also keep yourself informed. By regularly visiting [LACERS.org](http://LACERS.org) and reading our E-Bulletins, you will be kept up-to-date on such issues as layoffs and your retirement benefits, if furlough days impact your benefit, and other information such as contribution increases. And while you are on the website, sign up for a retirement seminar. It is never too early to start planning for your retirement.

SALLY CHOI, General Manager  
Los Angeles City Employees' Retirement System

### In this Issue

**2** [LACERS Reaches ERIP Goal](#)

**2** [Contribution Increases](#)

**3** [FAQS About Mandatory Furloughs](#)

**4** [FAQS About Layoffs and Retirement Benefits](#)

**6** [LACERS Retirement Seminars](#)

**6** [LAPD iWATCH](#)

**7** [Highlights from the CAFR](#)

**8** [MyLACERS](#)

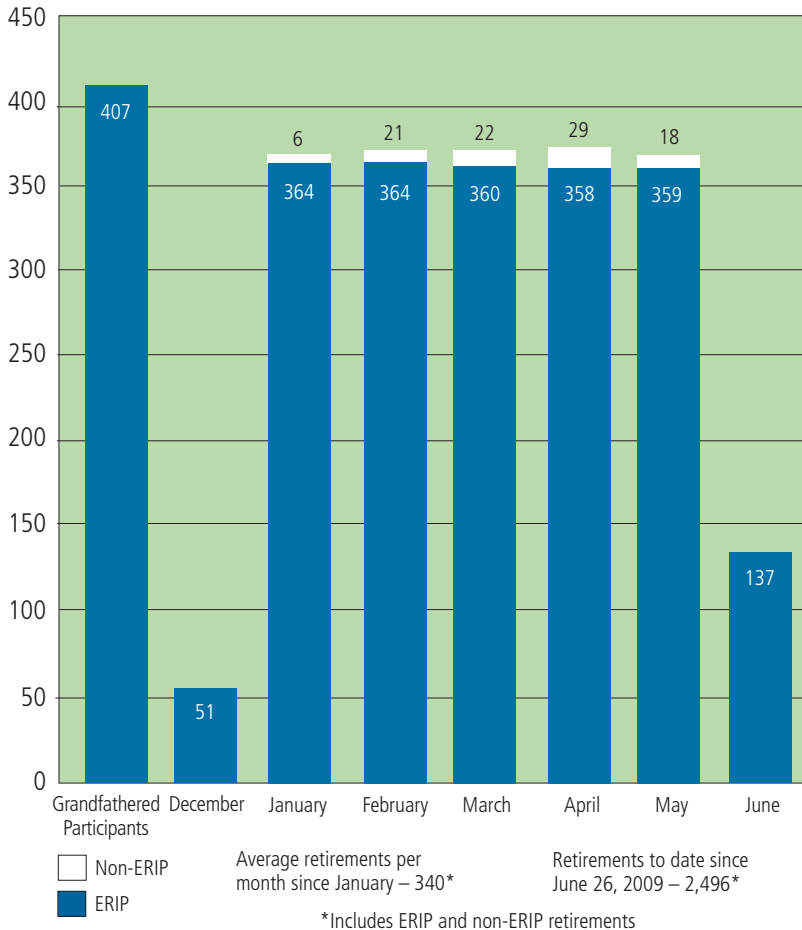
## LACERS Reaches the Goal of Retiring 2,400 City Employees Under ERIP

LACERS has retired 2,400 City employees since June 26, 2009 under the ERIP as promised by end of the fiscal year, June 30, 2010. We have retired more than 4.8 times the retirements we typically process in an entire year.



ERIP Group Counseling held at the Friendship Auditorium, Los Angeles

### ERIP and Non-ERIP Retirements



## Retirement Contribution Increases for Active Members

As part of the Early Retirement Incentive Program (ERIP) ordinance, Active LACERS Members will pay some of the costs of the program through increased contributions that will be deducted from their pay.

The first group to see an increase in their contributions was Active Members hired before 1983. Their contributions ranged from 2% to 6%. This group's contributions rose to 6% the pay period following the ERIP ordinance effective date. Their 6% contribution is equivalent to what Active Members pay who were hired on and after January 1, 1983.

The next contribution increase – an additional 1% – will begin on July 1, 2011, bringing all contributions to 7%.

The contributions will be adjusted back to 6% on June 30, 2026, or when the ERIP cost obligation has been fully paid, whichever comes first.

## Frequently Asked Questions About Mandatory Furloughs for Full-Time (72+ hour) Employees

*Responses are based on current ordinance and MOU provisions, as of June, 2010.*

### **Will mandatory furloughs affect my retirement benefits?**

No. Taking furlough days will not impact your retirement benefits because your benefit is determined by your Compensation Earnable, which is the amount your classification earns for 80 hours in a pay period.

### **If I am earning less money because of the furlough days, why won't my retirement benefits be impacted?**

Your retirement allowance is based on the following formula: Service Credit x Final Compensation x 0.0216.

**Service Credit** – This is determined by the amount of time you have worked as a member of LACERS and made contributions to your retirement account (LAAC 4.1001). As long as you work enough hours to cover the costs of your full retirement contribution and any other payroll deductions (this very likely will not be an issue with two furlough days per month), you will continue to earn the same amount of Service Credit with or without furlough days.

**Final Compensation** – This is the average of the last 12 months (or any other 12 consecutive month period you designate) of Compensation Earnable in your classification and will not be affected by furlough days. "Compensation Earnable" is the amount your classification earns for full-time service (LAAC Sections 4.1001). Taking furlough days will reduce the amount of money you earn, but it will not reduce your Compensation Earnable.

Because furlough days will not impact your Service Credit or your Final Compensation, they will have no impact on your retirement allowance.

### **While I understand mandatory furlough days will not affect my retirement benefits, it will reduce my salary. Can I borrow from my retirement account?**

No. The Los Angeles Administrative Code does not allow members to borrow from their LACERS account.

### **Do I have to take furlough days?**

Please check with your Department Personnel Director to determine if you are required to take any furlough days.

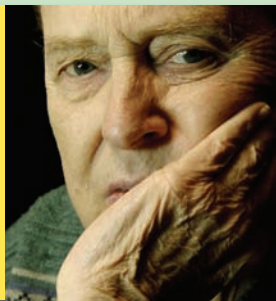
### **Can I still work overtime if I take a furlough day?**

The City Administrative Officer has specific guidelines for overtime and furlough exemptions. Visit their furlough memorandum at <http://caodocs.ci.la.ca.us/ERBulletins/ERBulletin-2009-06-08.pdf>.

### **Does LACERS have any services that will help me cope with the salary reduction of mandatory furlough days?**

LACERS offers a financial planning seminar that will assist you with debt management, budgeting for the present, and preparing for any unforeseen financial obstacles in the future. Please visit [www.LACERS.org](http://www.LACERS.org) and sign up today. If you are facing other specific problems and feel you need assistance, the City's Employee Assistance Program (EAP) provides help and counseling for a variety of issues. The EAP can be contacted 24 hours a day, 7 days a week by their toll-free line at (800) 213-5813. Their website is also available for information at: <http://www.members.mhn.com> Company Code: "cityoflosangeles".

## Frequently Asked Questions About the Layoff Process and Retirement Benefits



Depending on your years of City Service, there are different options you should know about regarding your retirement benefits, should you receive a layoff notice.

### 1. What happens to my retirement contributions when I am no longer employed by the City?

If you are full-time and have less than five years of Continuous City Service, you may:

- Leave your contributions on deposit with LACERS;
- Take a refund of your contributions plus accrued interest; or  
–If you take a refund of your contributions, LACERS is required to withhold taxes and you may also be subject to additional tax penalties.
- Roll your funds over to another qualified retirement plan.

*If you withdraw or roll over your contributions, and also participate in the LACERS Larger Annuity Program, you will also be required to withdraw or roll over those funds.*

If you are full-time and have more than five years of Continuous City Service, were a part-time contributing member of LACERS, or have vested status through Reciprocity, you may:

- Apply for retirement, if you are eligible;
- Leave your contributions on deposit with LACERS until you are eligible for a Deferred-Service Retirement;
- Take a refund of your contributions plus accrued interest; or
- Roll your funds over to another qualified retirement plan.

*If you withdraw your contributions and also participate in the LACERS Larger Annuity Program, you will also be required to withdraw or roll over those funds.*

### 2. How long may I leave my funds on deposit with LACERS?

Your funds can remain on deposit with LACERS until you reach age 70½, at which time the Internal Revenue Code requires you begin withdrawing funds from your account (minimum distribution) or incur tax penalties.

### 3. If I am a full-time employee, and have less than five years of Continuous City Service, is there anything I can do to meet the five-year Continuous City Service requirement to qualify for a retirement benefit?

If you worked for another California governmental agency, you may qualify for reciprocity which may allow you to use your combined years of service from both agencies toward vesting and/or becoming eligible for a retirement allowance. If you have received your layoff notice, but before the actual termination date, you may be able to purchase City Service to help you reach the five years of Continuous Service requirement.

### 4. Can I continue to pay my Family Death Benefit Insurance Plan (FDBIP) premiums after I separate from City service?

No, you must be an active City employee to participate in the FDBIP program. However, should you return to City service in the future, you may resume your participation in the FDBIP program.

### 5. If I'm officially notified that I will be laid-off, but not yet terminated, can I still retire?

If you are eligible for a service retirement, you may be able to apply after you receive your layoff notice, but before the actual termination date.

To qualify for a Normal Service Retirement, while an active employee, you must be:

- Age 55 or older, with at least 30 years of City Service;
- Age 60 or older, with at least 10 years of Continuous Service; or
- Age 70 or older, regardless of your length of City Service.

To qualify for an Early Service Retirement, while an active employee, you must be:

*(Continued on page 5)*

(Continued from page 4)

- Age 55 or older with at least 10 years of Continuous Service; or
- Less than age 55 with at least 30 years of City Service. \*\*

If you are a part-time employee and have been certified by your employing department, you immediately become a vested member of LACERS. However, in order to retire you must meet the minimum age requirement and have a first date of membership at least 10 years prior to your retirement effective date to apply.

*\* Please be aware that a full-time member age 70, who is eligible for an active service retirement as an active member, but who has less than five years of Continuous Service, may lose their right to apply for any deferred-service retirement benefits after they are terminated. This is because a full-time member must have a minimum of five years of Continuous Service to apply for deferred-service retirement. If they select a retirement effective date prior to their date of termination, they may proceed to retire. But if they did not retire prior to termination, they will not be eligible for a deferred service retirement allowance.*

*\*\* Please note: A member who is eligible for an active service retirement because they have 30 or more years of City Service, but who is under age 55, may proceed to retire if they apply prior to the actual date of termination. However, if they fail to apply as an active employee, and are terminated, they will need to wait until they are age 55 to apply for a deferred-service retirement.*

## **6. When I'm officially terminated, can I still retire?**

If you are off the active payroll and you are eligible to retire, you may immediately apply for a Deferred-Service Retirement.

If you are a full-time employee who has terminated employment with the City, you may qualify for a Normal Deferred-Service Retirement, as follows:

- Age 55 or older, with at least 30 years of City Service, and 10 years have elapsed since your First Date of Membership;
- Age 60 or older, with at least 10 years of Continuous Service and 10 years have elapsed since your First Date of Membership; or

- Age 70 or older, with at least 5 years of Continuous City Service (may also be completed via Full Reciprocity).

If you are a full-time employee who has terminated employment with the City, you may qualify for an Early Deferred-Service Retirement, as follows:

- Age 55 or older with 10 years of Continuous Service or 10 years since your First Date of Membership and at least 5 years of continuous service.

If you were a part-time employee and were certified for LACERS membership by your employing department, you immediately became a vested member of LACERS. You may apply if 1) You meet the minimum age requirement of age 55 and have a first date of membership at least 10 years prior to your retirement effective date, or 2) you are age 70 or older.

If you are eligible for a Deferred-Service Retirement, you may apply immediately without any waiting period. You must apply to start receiving your benefits immediately.

## **7. I think I may qualify for a disability retirement benefit, what are the eligibility requirements?**

If you became physically or mentally disabled while an active LACERS member, you may qualify for a disability retirement if you meet the following eligibility rules to apply:

- You have five or more years of Continuous City Service;
- You file your disability application within six months of your last date on your department's active payroll; or
- You file your application within six months of a final settlement date for a related Workers' Compensation claim.

## **8. Will purchasing service credit change my layoff status?**

No. Purchasing service credit will only enhance your retirement benefits or help you to meet eligibility requirements for a retirement.

## **9. What happens if I go to work for the Department of Water and Power (DWP) after being laid-off?**

It depends on the timeline and action you take between the time you are laid-off and go to work for DWP. If you:

(Continued on page 6)

(Continued from page 5)

- Go to work for DWP within seven days of leaving the City, you may qualify for Reciprocity through the Water and Power Employees Retirement Plan (WPERP).
- Leave your contributions on deposit with LACERS, you may be able to transfer your earned service credit and retirement funds to WPERP outside of the reciprocal agreement.
- Withdrew your funds after being laid-off, and deposited the funds into another qualified retirement plan, you may be able to purchase your previous service credit by rolling funds into

WPERP. You will need to check with WPERP for details.

**10. If I withdraw my retirement contributions, plus interest, will I be eligible for any type of retirement benefit from LACERS?**

No. Once you withdraw your retirement contributions, you forfeit your rights to any previously earned or potential future retirement benefits. However, if you later return to City service, you may be allowed to redeposit your contributions, plus interest, and may be able to qualify for a benefit later.

## LACERS Retirement Seminars and Personal Finance Series Workshops

LACERS offers a variety of seminars to help you prepare for retirement. Through the Planning for Retirement Seminars and the Lunchtime Lecture Series, you can learn more about your LACERS retirement plan including your retirement benefits, retiree health benefits, survivor benefits and more. Our Personal Finance Series of financial education workshops will cover everything from basic money management to strategic investing to meet your financial goals. Register for all LACERS seminars at [www.LACERS.org](http://www.LACERS.org)



*"I recently attended a LACERS retirement seminar with my wife. I received great information there. It's never too early to start planning for retirement. Plus, this seminar is free and every employee should take advantage of it."*

Greig Smith, Councilman District 12

## LAPD Wants LACERS Members to be part of the iWATCH Anti-Terrorism Effort

iWATCH is a community awareness program created by the Los Angeles Police Department to educate the public about behaviors and activities that may have a connection to terrorism and how to report them. Visit <http://lapdonline.org/iwatchla> for more information. You can also read and download a brochure that explains the program.



The iWATCH program is about behaviors and activities, not individuals.

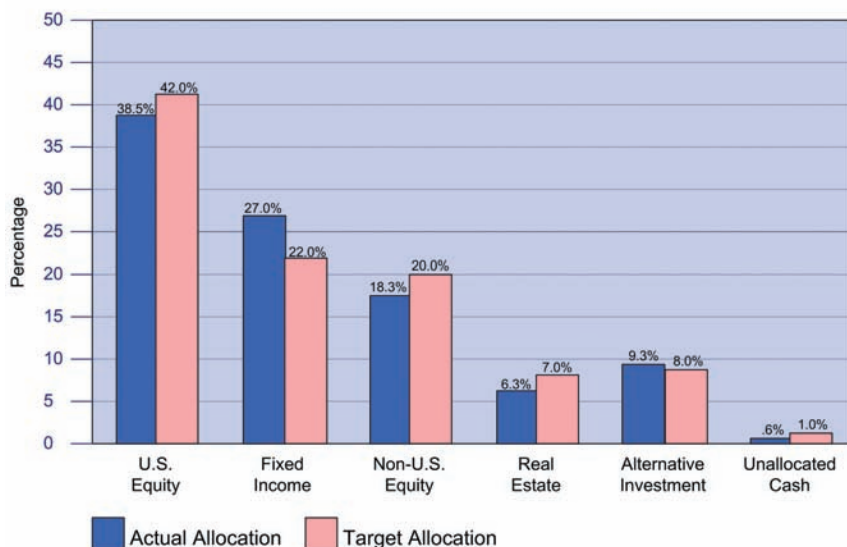
### What Suspicious Behaviors and Activities Should You Report?

- People drawing or measuring important buildings.
- Strangers asking questions about security or building security procedures.
- Briefcase, suitcase, backpack, or package left behind.
- Cars or trucks left in No Parking zones in front of important buildings.
- Intruders in secure areas where they are not supposed to be.
- Chemical smells or fumes that worry you.
- People asking questions about sensitive information such as building blueprints, security plans, or VIP travel schedules without a right or need to know.
- Purchasing supplies or equipment that can be used to make bombs or weapons or purchasing uniforms without having the proper credentials.

## Highlights from the June 30, 2009 Comprehensive Annual Financial Report (CAFR)

This information focuses primarily on the financial operations and LACERS investments results, demographic information, and funded status of the plan for the fiscal year ended June 30, 2009. LACERS total investment portfolio returned -19.6%, which underperformed the actuarial assumed rate of 8%. The portfolio had a market value of \$8.1 billion on June 30, 2009, a decrease of approximately \$2.2 billion from the prior fiscal year. A copy of the complete June 30, 2009 CAFR is available on our website at [www.LACERS.org](http://www.LACERS.org).

LACERS INVESTMENT PORTFOLIO ALLOCATION AS OF JUNE 30, 2009



### INVESTMENT RESULTS

Annualized asset class investment returns compared to policy benchmarks (as of June 30, 2009):

Return Summary (gross of fees)	Annualized*		
	1 Yr. (%)	3 Yrs. (%)	5 Yrs. (%)
U.S. Equity	-26.2	-8.7	-1.9
Russell 3000	-26.6	-8.4	-1.8
Fixed Income	4.4	5.3	5.0
BC US Universal**	4.9	5.9	5.0
International Equity	-29.1	-5.6	4.4
LACERS MS ACWI ex U.S. Index**	-30.9	-5.8	4.5
Real Estate	-31.5	-4.6	4.8
NCREIF Property Index	-14.7	4.2	9.4
Alternative	-21.7	4.8	10.7
Russell 3000 plus 400 bps	-23.6	-4.6	2.2
LACERS Total Fund	-19.5	-3.2	2.3
LACERS Policy Benchmark	-19.2	-3.2	2.1

\*Time-weighted rate of return based on fair value of assets for all asset classes.

\*\* Both the Barclays US Universal and LACERS MS ACWI Free ex. U.S. indices are historically blended with other indices.

### DEMOGRAPHIC INFORMATION

	June 30, 2009	June 30, 2008
<b>Total Membership</b>		
Active Members	30,065	30,236
Pensioners and Beneficiaries	14,991	14,975
<b>Valuation Salary</b>		
Total Annual Payroll	\$ 1,816,171,212***	\$ 1,977,644,640
Average Monthly Salary	5,543	5,451
<b>Benefits to Current Retirees and Beneficiaries*</b>		
Total Annual Benefits	\$ 521,859,396	\$ 502,357,584
Average Monthly Benefit Amount	2,901	2,796
<b>Total System Assets**</b>		
Actuarial Value	\$ 10,949,384,202	\$ 10,805,841,634
Market Value	8,142,988,791	10,372,194,349
<b>Unfunded Actuarial Accrued Liability (UAAL)</b>		
Retirement Benefits	\$ 2,464,236,515***	\$ 1,748,085,441
Health Subsidy Benefits	715,680,301***	585,123,289

\* Includes July COLA.

\*\* Includes assets for Retirement, Health, Family Death, and Larger Annuity Benefits.

\*\*\* Revised to reflect the impact of the Early Retirement Incentive Program.

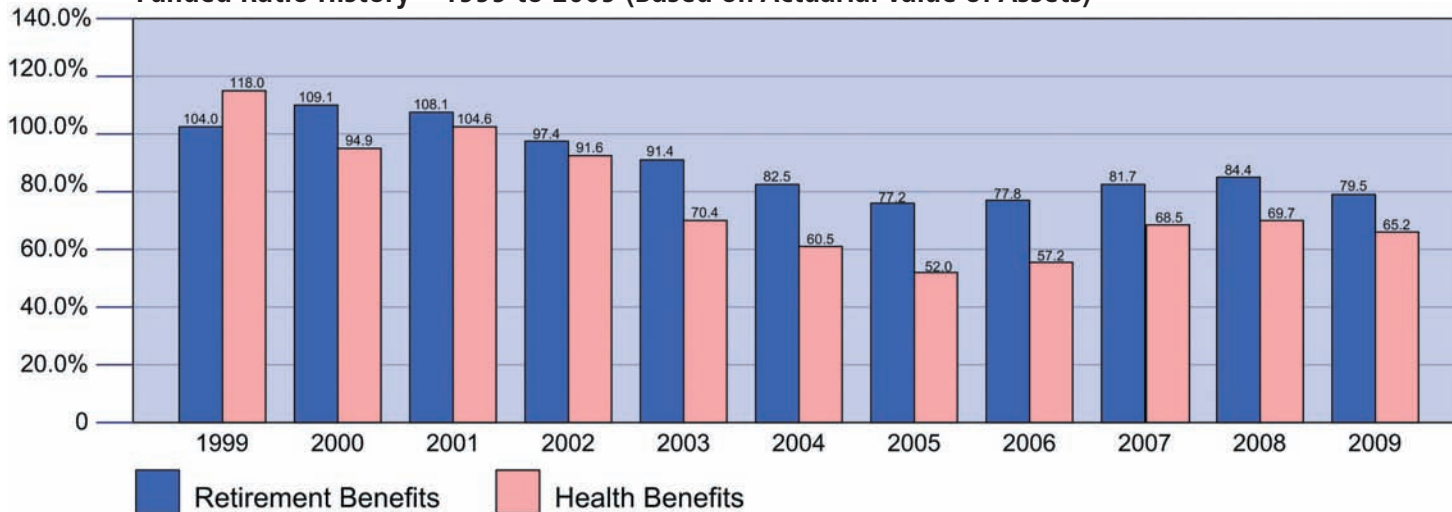
**FUNDED RATIO**

The funding objective for LACERS is to meet the long-term benefit promises through contributions that remain level as a percentage of member payroll. LACERS funding status is measured by the ratio of its actuarial value of assets to its actuarial accrued liabilities. The actuarial value of assets is determined by an asset smoothing method that spreads investment gains and losses over a five-year period. As of June 30, 2009, the actuarial value of assets and the actuarial accrued liabilities of LACERS were \$10,920,244,000 and \$14,100,161,000, respectively, for both the Retirement and Postemployment Healthcare Plans. The funded ratio for the Retirement Plan based on the actuarial value of assets was 79.5%. The funded ratio for the Postemployment Healthcare Plan based on the actuarial value of assets was 65.2% (LACERS has been pre-funding retiree health benefits since 1987).

	June 30, 2009*	June 30, 2008	Change
<b>(Based on Actuarial Value of Assets)</b>			
Retirement Benefits	79.5%	84.4%	(4.9)%
Health Subsidy Benefits	65.2%	69.7%	(4.5)%
<b>Total</b>	<b>77.5%</b>	<b>82.2%</b>	<b>(4.7)%</b>
<b>(Based on Market Value of Assets)</b>			
Retirement Benefits	59.2%	81.0%	(21.8)%
Health Subsidy Benefits	48.5%	66.9%	(18.4)%
<b>Total</b>	<b>57.6%</b>	<b>78.9%</b>	<b>(21.3)%</b>

\*Revised to reflect the impact of the Early Retirement Incentive Program.

**Funded Ratio History – 1999 to 2009 (Based on Actuarial Value of Assets)**



**Your LACERS Statement =**



Your LACERS Member information is as close as your nearest internet connection. By going online to [www.LACERS.org](http://www.LACERS.org) and signing on to MyLACERS, you can view and print your:

- Years of Service and Service Credit
- Retirement Contributions
- Beneficiary Information

This information is updated every two weeks.

To set up your MyLACERS account:

- Click on the MyLACERS logo at [www.LACERS.org](http://www.LACERS.org)
- Click on the *Need an Account?* Link on the left panel to register
- Log-in to access your account information

If you need help signing up, have forgotten your password or have no computer access, call or e-mail LACERS at (800) 779-8328, TDD (888) 349-3996, or [lacers.services@lacity.org](mailto:lacers.services@lacity.org).

Attend a Retirement Seminar and find out how this information works to determine your monthly retirement allowance. Register for a Retirement Seminar at [www.LACERS.org](http://www.LACERS.org).