

**Summary Information Regarding Ordinance Changes Which May Impact LACERS
Members
June 21, 2011**

On May 31, 2011 and June 3, 2011, the Los Angeles City Council approved changes to the Los Angeles Administrative Code (LAAC) that affect the City of Los Angeles Retirement System's (LACERS) retiree benefits.

Retirement Contribution for Certain LACERS Members

Subject to each Member's specific Memoranda of Understanding (MOU), the Member will be required to contribute by payroll deduction an additional contribution to the Retirement Fund and will obtain a vested right to any increase in the maximum retiree medical plan subsidy.

Medical Subsidy Eligibility Requirements for all LACERS Retirees

In order to qualify for a medical subsidy, a retiree must be at least 55 years of age (certain ERIP retirees qualify at a younger age), have a minimum of 10 years of Service Credit, and be enrolled in Medicare if eligible. Once they have achieved 10 years of service credit, those Members not eligible for Medicare receive 4% of the maximum subsidy for each **whole year** of service credit up to 100% of the maximum subsidy for 25 years of service. For Members in Medicare Parts A and B, subsidies are plan-specific.

Members Retired on or before June 30, 2011

LACERS' Board of Administration will continue to determine the maximum medical subsidy for these Members as outlined in LAAC Section 4.1103.1. The Board of Administration may raise medical subsidies for these retirees each year within the following limits:

- (a) The increase in the subsidy can be no more than the dollar increase in the Kaiser two-party non-Medicare premium, and
- (b) The average of the percentage increase for the first year of the increase and the preceding two years must not exceed the average assumed actuarial medical trend rates for the same period.

Members Retired on or After July 1, 2011

Those who retire on or after July 1, 2011 and ***whose bargaining units have agreed to additional retirement contributions*** will have a ***vested right*** to an increase in the maximum retiree medical plan subsidy of no less than the dollar increase in the Kaiser two-party non-Medicare premium.

A vested benefit is one that cannot later be taken away.

For those who retire on or after July 1, 2011 and ***whose bargaining units have NOT agreed to additional retirement contributions, the maximum retiree medical***

subsidy is frozen at \$1,190 per month (for more details on this subsidy freeze, see the section below).

What a Subsidy Freeze Means

The maximum retiree medical subsidy for the year 2011 is \$1,190 per month for those with 25 or more years of Service Credit. For those whose subsidies are frozen (see section above), they bear the full cost of any increase once their plan premium exceeds \$1,190.

Retirees who are eligible for Medicare Parts A and B will be responsible for any cost increase above their 2011 single-party Medicare plan rate. As the maximum subsidy also impacts what Medicare retirees receive in subsidy for dependent coverage, a subsidy freeze means Medicare retirees will have to absorb cost increases for their dependents as well.

LACERS Medical Plan Premium Increases

Increases in medical plan premiums vary from year to year and plan to plan. Overall, LACERS medical plan premiums have increased by an average of 8.3% each year for the past 5 years. The lowest overall medical premium increase during that time was 4.4%, and the highest was 17.8%.

Additional Resources:

- [Understanding Retiree Benefits, Contributions and Eligibility Questions & Answers](#)
- [Expedited Retirement Ordinance](#)
- [Retirement Eligibility Rules](#)
- [ERIP Ordinance \(approving contribution rate increase to 7%\)](#)