



Benefits Administration Committee Agenda

REGULAR MEETING

TUESDAY, DECEMBER 9, 2025

TIME: 9:00 A.M.

MEETING LOCATION:

LACERS Boardroom 977 N. Broadway Los Angeles, California 90012

Important Message to the Public

An opportunity for the public to address the Committee in person from the Boardroom and provide comment on items of interest that are within the subject matter jurisdiction of the Committee or on any agenda item will be provided at the beginning of the meeting and before consideration of items on the agenda.

Members of the public who do not wish to attend the meeting in person may listen to the live meeting via YouTube streaming at the following link: <u>LACERS Livestream</u>.

Disclaimer to Participants

Please be advised that all LACERS Committee meetings are recorded.

LACERS Website Address/link:

www.LACERS.org

In compliance with Government Code Section 54957.5, non-exempt writings that are distributed to a majority or all of the Committee in advance of the meeting may be viewed by clicking on LACERS website at www.LACERS.org, at LACERS' offices, or at the scheduled meeting. In addition, if you would like a copy of a public record related to an item on the agenda, please call (213) 855-9348 or email at lacers.org.

Chair: Thomas Moutes

Committee Members: Janna Sidley

Sung Won Sohn

Manager-Secretary: Todd Bouey

Executive Assistant: Ani Ghoukassian

Legal Counselor: City Attorney's Office

Public Pensions General

Counsel Division

Notice to Paid Representatives

If you are compensated to monitor, attend, or speak at this meeting, City law may require you to register as a lobbyist and report your activity. See Los Angeles Municipal Code §§ 48.01 *et seq.* More information is available at ethics.lacity.org/lobbying. For assistance, please contact the Ethics Commission at (213) 978-1960 or ethics.commission@lacity.org.

Request for Services

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 accommodation to ensure equal access to its programs, services and activities.

Sign Language Interpreters, Communications Access Real-Time Transcription, Assisted Listening Devices, or other auxiliary aids and/or services may be provided upon request. To ensure availability, please make your request at least 72 hours prior to the meeting you wish to attend. Due to difficulties in securing Sign Language Interpreters, five or more business days notice is strongly recommended. For additional information, please contact (800) 779-8328 or RTT (888) 349-3996.

Si requiere servicios de traducción, llámenos tres días (72 horas) antes de la reunión o evento al (800) 779-8328.

For additional information, please contact: Board of Administration Office at (213) 855-9348 and/or email at lacers.board@lacers.org.

CLICK HERE TO ACCESS BOARD REPORTS

I. PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA

- II. <u>APPROVAL OF MINUTES FOR THE MEETING OF AUGUST 12, 2025 AND POSSIBLE COMMITTEE ACTION</u>
- III. <u>HISTORICAL OVERVIEW OF THE MEDICARE PART B REIMBURSEMENT PROGRAM AND INCOME-RELATED MONTHLY ADJUSTMENT AMOUNT (IRMAA)</u>
- IV. HEALTH BENEFITS WORK PLAN AND POSSIBLE COMMITTEE ACTION
- V. OTHER BUSINESS
- VI. NEXT MEETING: The next Benefits Administration Committee meeting is not scheduled at this time and will be announced upon scheduling. Please continue to view the LACERS website for updated information on public access to Board/Committee meetings.
- VII. ADJOURNMENT





Board of Administration Agenda

SPECIAL MEETING

TUESDAY, DECEMBER 9, 2025

TIME: 9:00 A.M.

MEETING LOCATION:

LACERS Boardroom 977 N. Broadway Los Angeles, California 90012

Important Message to the Public

An opportunity for the public to address the Board and provide comment on items of interest that are within the subject matter jurisdiction of the Committee or on any agenda item will be provided at the beginning of the meeting and before consideration of items on the agenda.

Members of the public who do not wish to attend the meeting in person may listen to the live meeting via YouTube streaming at the following link: LACERS Livestream.

Disclaimer to Participants

Please be advised that all LACERS Committee meetings are recorded.

LACERS Website Address/link:

www.LACERS.org

In compliance with Government Code Section 54957.5, non-exempt writings that are distributed to a majority or all of the Committee in advance of the meeting may be viewed by clicking on LACERS website at www.LACERS.org, at LACERS' offices, or at the scheduled meeting. In addition, if you would like a copy of a public record related to an item on the agenda, please call (213) 855-9348 or email at lacers.org.

President: Annie Chao Vice President: Janna Sidley

Commissioners: Thuy Huynh

Susan Liem
Thomas Moutes

Gaylord "Rusty" Roten Sung Won Sohn

Manager-Secretary: Todd Bouey

Executive Assistant: Ani Ghoukassian

Legal Counsel: City Attorney's Office

Public Pensions General

Counsel Division

Notice to Paid Representatives

If you are compensated to monitor, attend, or speak at this meeting, City law may require you to register as a lobbyist and report your activity. See Los Angeles Municipal Code §§ 48.01 et seq. More information is available at ethics.lacity.org/lobbying. For assistance, please contact the Ethics Commission at (213) 978-1960 or ethics.commission@lacity.org.

Request for Services

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 accommodation to ensure equal access to its programs, services and activities.

Sign Language Interpreters, Communication Access Real-Time Transcription, Assistive Listening Devices, Telecommunication Relay Services (TRS), or other auxiliary aids and/or services may be provided upon request. To ensure availability, you are advised to make your request at least 72 hours prior to the meeting you wish to attend. Due to difficulties in securing Sign Language Interpreters, <u>five</u> or more business days' notice is strongly recommended. For additional information, please contact: Board of Administration Office at (213) 855-9348 and/or email at <u>lacers.board@lacers.org</u>.

CLICK HERE TO ACCESS BOARD REPORTS

I. PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA

- II. APPROVAL OF MINUTES FOR THE MEETING OF AUGUST 12, 2025 AND POSSIBLE COMMITTEE ACTION
- III. HISTORICAL OVERVIEW OF THE MEDICARE PART B REIMBURSEMENT PROGRAM AND INCOME-RELATED MONTHLY ADJUSTMENT AMOUNT (IRMAA)
- IV. HEALTH BENEFITS WORK PLAN AND POSSIBLE COMMITTEE ACTION
- V. OTHER BUSINESS
- VI. NEXT MEETING: The next Benefits Administration Committee meeting is not scheduled at this time and will be announced upon scheduling. Please continue to view the LACERS website for updated information on public access to Board/Committee meetings.
- VII. ADJOURNMENT

Agenda of: Dec. 9, 2025

Item No: II

MINUTES OF THE REGULAR MEETING BENEFITS ADMINISTRATION COMMITTEE LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

August 12, 2025

9:07 a.m.

PRESENT: Presiding Officer: Sung Won Sohn

Committee Member: Thuy Huynh

Executive Assistant: Ani Ghoukassian

Legal Counselor: Joshua Geller

Manager-Secretary: Todd Bouey

The Items in the Minutes are numbered to correspond with the Agenda.

1

PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA – Presiding Officer Sohn asked if any persons wished to speak on matters within the Committee's jurisdiction, and there were no public comment cards submitted.

Ш

APPROVAL OF MINUTES FOR THE MEETING OF JUNE 24, 2025 AND POSSIBLE COMMITTEE ACTION – Committee Member Huynh moved approval, and adopted by the following vote: Ayes, Committee Members Huynh and Presiding Officer Sohn -2; Nays, None.

Ш

LACERS 2024 ANTHEM BLUE CROSS MEDICAL, BLUE VIEW VISION, AND DELTA DENTAL PPO YEAR-END ACCOUNTING AND POSSIBLE COMMITTEE ACTION – James Kawashima, Senior Benefits Analyst II, and Bordan Darm, Lead Consultant with Keenan Associates, presented and discussed this item with the Committee. Committee Member Huynh moved approval, and adopted by the following vote: Ayes, Committee Members Huynh and Presiding Officer Sohn -2; Nays, None.

IV

2026 HEALTH PLAN CONTRACT RENEWALS AND POSSIBLE COMMITTEE ACTION – Karen Freire, Chief Benefits Analyst, Margaret Drenk, Senior Benefits Analyst II, Tenah Johnson-Taylor, Senior Benefits Analyst I, and Bordan Darm, Lead Consultant with Keenan Associates, presented and discussed this item with the Committee. Committee Member Huynh moved approval, which was adopted by the following vote: Ayes, Committee Members Huynh and Presiding Officer Sohn -2; Nays, None.

2026 MAXIMUM SUBSIDY AND REIMBURSEMENT AMOUNTS AND POSSIBLE COMMITT	ΈE
ACTION – Karen Freire, Chief Benefits Analyst, and Rainbow Sun, Senior Benefits Analyst, presen	ited
and discussed this item with the Committee. Committee Member Huynh moved approval, and adop	ted
by the following vote: Ayes, Committee Members Huynh and Presiding Officer Sohn -2; Nays, Non	e.

VI

OTHER BUSINESS - There was no other business.

VII

NEXT MEETING: The next Benefits Administration Committee meeting is not scheduled at this time and will be announced upon scheduling. Please continue to view the LACERS website for updated information on public access to Board/Committee meetings.

VIII

ADJOURNMENT – There being no further business before the Committee, Presiding Officer Sohn adjourned the meeting at 9:34 a.m.

	Sung Won Sohn
	Presiding Officer
Todd Bouey	
Manager-Secretary	





REPORT TO BENEFITS ADMINISTRATION COMMITTEE

From: Todd Bouey, General Manager

ITEM: III

MEETING: DECEMBER 9, 2025

SUBJECT: HISTORICAL OVERVIEW OF THE MEDICARE PART B REIMBURSEMENT

PROGRAM AND INCOME-RELATED MONTHLY ADJUSTMENT AMOUNT (IRMAA)

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

Recommendation

10mg

That the Committee receive and file this report and advise direction regarding Council File 23-1131, which expired October 12, 2025.

Executive Summary

In light of the ongoing discussion to include the Medicare Part B Income-Related Monthly Adjustment Amount (IRMAA¹) in the Medicare Part B Reimbursement Program, a historical overview has been prepared to aid the Benefits Administration Committee in determining next steps. On October 12, 2023, the Board transmitted a request to the City Council, Council File 23-1131, for consideration of including IRMAA reimbursements. As no action was taken by the Personnel, Audits, and Hiring Committee (previously known as the Personnel and Hiring Committee), the file expired on October 12, 2025.

Discussion

In 1983, the Medicare Part B Reimbursement Program for LACERS Retired Members was established by LACERS Board Resolution, and the language was added to the Los Angeles Administrative Code (LAAC) in 2001. In 2006, LACERS defined reimbursement of the Medicare "basic" premium to not include late penalty fees or IRMAAs. The language in the LAAC was also revised to reflect who is eligible to receive the reimbursement and the limitation of the reimbursement to the basic premium, in preparation for Medicare Part B IRMAAs effective date in 2007 and for Medicare Part D IRMAAs effective date in 2011.

Presently, only LACERS Retired Members may be reimbursed for their basic/standard Medicare Part B premium if the following requirements are met:

1) They are enrolled in both Medicare Parts A and B;

¹ IRMAA is a surcharge on top of the basic/standard Medicare premium rates for Part B and Part D if a person's modified adjusted gross income for the two years prior is above annual thresholds determined by the Centers for Medicare & Medicaid Services (CMS).

- 2) They are enrolled in a LACERS Senior Plan or are participating in the LACERS Medical Premium Reimbursement Program (MPRP); and,
- 3) They are receiving a medical subsidy from LACERS.

In October 2023, in response to numerous member feedback and a letter from the Retired Los Angeles City Employees, Inc. (RLACEI), the LACERS Board transmitted a report to the City Council requesting consideration of options to increase the reimbursement of Medicare Part B premiums to partially or fully defray the costs of required enrollment into Medicare, particularly for Retired Members who are affected by IRMAA. The Council referred the file to the Personnel and Hiring Committee, also known as the Personnel, Audits, and Hiring Committee, on December 13, 2024. The file expired on October 12, 2025, without being presented or discussed at the Personnel, Audits, and Hiring Committee.

TIMELINE RELATING TO THE MEDICARE PART B REIMBURSEMENT PROGRAM AND IRMAA

This overview highlights key events relating to Medicare Parts B and D, and IRMAAs:

1965 – Establishment of Medicare United States

President Lyndon B. Johnson signed H.R. 6675 (Social Security Amendments of 1965) into law on July 30, 1965. This established the Medicare and Medicaid programs. Medicare coverage took effect in 1966, and the Medicare Part B premium was the same for all enrollees.

1973 – Establishment of the Active Employee Medicare Part B Reimbursement Program City of Los Angeles

Effective June 17, 1973, Ordinance No. 144,707 established LAAC §4.310, providing that active employees who were 65 years of age and older who have both Parts A and B of Medicare may be reimbursed for their Part B premium. The ordinance was the result of a request by an active City employee who was 65 years old and had Medicare Parts A and B. The reasoning was that the City was saving subsidy money because the premium for an employee with Medicare Parts A and B was less than the premium for employees not eligible for Part A, and that the reimbursement amount, when added to the City subsidy amount, did not exceed the subsidy amount the City was applying to employees who were not eligible for Part A of Medicare.

1973 – Establishment of the Health and Welfare Program for Retired Civilian Employees City of Los Angeles

Ordinance No. 145,067 was adopted into the LAAC. This established the Health and Welfare Programs for Retired Civilian Employees benefits, effective October 8, 1973. LACERS began providing retired health insurance benefits in 1975, and the LACERS Board authorized the Personnel Department to handle the day-to-day administration of retiree health benefits from 1975 to July 1999.

1977 to 1979 – Consideration to extend the Active Employee Medicare Part B Reimbursement to Retired Employees

LACERS and City of Los Angeles

The Retired Los Angeles City Employees, Inc. (RLACEI) communicated verbally with the LACERS Board of Administration, and in writing to the City Council's Personnel and Labor Relations Committee (Personnel Committee), dated August 1, 1977, to request that the Part B reimbursement program be extended to retired employees enrolled in both Medicare Parts A and B, to resolve the inequity and inconsistency in health insurance subsidy coverage offered to active and retired employees.

Pursuant to draft ordinance consideration, the City Administrative Officer (CAO) submitted a report dated October 31, 1977, to the Personnel Committee, recommending: "We believe that the granting of the RLACE[I] request would not be appropriate or consistent with the City's intent in establishing a health insurance program for retired employees."

On January 16, 1978, the Personnel Committee responded: "Since the City is saving subsidy money because of the retired employee's enrollment in Part A, the reimbursement for his Part B expense[,] when added to the City subsidy amount[,] is still far less than the subsidy amount the City pays to employees not eligible for Part A of Medicare, the majority of [the] Committee believes the request of the RLACE[I] should be granted."

Accordingly, an actuarial cost estimate of the proposed benefits of the drafted ordinance was requested. Dated April 26, 1978, Harry M. Church of Towers, Perrin, Forster & Crosby concluded that the amended benefits "will not exceed on the average [of] those of the County of Los Angeles Employees' Retirement System [LACERA]."

In December 1979, the City Council failed to adopt (7-7) the proposed ordinance that would establish a Medicare Part B reimbursement program for retired employees.

1983 – The Medicare Part B Reimbursement Program is added for Retired Employees LACERS

LACERS requested reimbursement of the Medicare Part B premium for retirees. The Personnel and Labor Relations Committee responded that pursuant to LAAC § 4.1003(d), City Council had already empowered the CERS Board of Administration to revise the retirees' health subsidy to reflect changes in the subsidy provided to active employees, and any further Council action is unnecessary.

On December 20, 1983, Resolution No. 84118(a) was adopted by the LACERS Board of Administration to establish a Medicare Part B reimbursement program for retired employees. Language in the resolution specified "that retired members who qualify for federally funded parts A and B of Medicare be reimbursed for the premium cost of Medicare part B…" The reimbursement was limited to the Retired Member only.

1997 – Active Employee Health Subsidy and Retired Employee Health Subsidy are separated City of Los Angeles

Ordinance No. 171,743 was adopted, establishing that the LACERS Board of Administration sets, by resolution, the maximum monthly amount for the health subsidy for retired employees. Previously, the health subsidy for retirees was tied to the health subsidy provided to active employees.

1999 – LACERS assumes day-to-day administration of the Health and Welfare Program for Retired Civilian Employees

LACERS

The day-to-day administration of the Health and Welfare Program for Retired Civilian Employees transferred from the City Personnel Department to LACERS in July 1999.

2001 – Language for the Medicare Part B Reimbursement Program is officially added to the LAAC, and the reimbursement is extended to retirees participating in the MPRP City of Los Angeles

Ordinance No. 174,365 was adopted and took effect on December 14, 2001, making certain technical changes to the health and welfare program for retired civilian City employees and establishing a new procedure for authorizing the maximum health subsidy. This ordinance officially added the language of the Medicare Part B reimbursement program to the LAAC. It clarified that the reimbursement was limited to the basic premium: "Medicare Part B premium reimbursement shall be limited to the Medicare Part B basic premium (Medical Insurance). No reimbursement shall be paid for Medicare Part B costs that exceed the basic premium." Additionally, the reimbursement benefit was extended to the qualified retirees participating in the Medical Premium Reimbursement Program.

2003 – Establishment of Medicare Part B IRMAA United States

President George W. Bush signed H.R. 1 (Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA)) into law on December 8, 2003. This added the IRMAA rules, applying only to Medicare Part B and became effective in January 2007.

2006 – Definition of Medicare "basic" premium and consideration to extend the Medicare Part B Reimbursement Program to Surviving Spouses/Domestic Partners LACERS

The LACERS Board approved Resolution 061114-A on November 14, 2006. The resolution establishes that "LACERS defines [the Medicare Part B] "basic" premium as the monthly cost of being enrolled in Medicare Part B (25% of the actuarial cost of the program, as determined by the federal government), not taking into account late enrollment penalties or IRMAAs." The staff report included an October 30, 2006, memo from the City Administrative Officer to the City Council regarding Los Angeles Fire and Police Pension's request for consideration of IRMAA reimbursements for its members. The CAO recommended that reimbursement continue at the basic premium level and the LAAC be clarified to reflect exclusion of IRMAAs. The following reasons were provided by the CAO: 1) it is consistent with current practice; 2) there are undetermined costs to the City of a higher level of reimbursement since IRMAAs are based on Members' Federal adjusted gross income; 3) theoretically IRMAAs apply to retirees who can afford the increased premium and therefore should not result in hardship; 4) the retirement systems do not have access to retirees income tax records to calculate the reimbursement.

In the same meeting, the Board directed staff to refer an actuarial cost study to the City Council for consideration of extending Medicare Part B reimbursements to eligible Surviving Spouses and Domestic Partners.

2010 – Extension of IRMAA to Medicare Part D United States

President Barack Obama signed the Affordable Care Act (ACA) on March 23, 2010, which included the extension of IRMAA to Medicare Part D. The Part D IRMAA took effect in January 2011.

2011 – Consideration of a Medicare Part D reimbursement LACERS

In a correspondence dated May 2, 2011, the LACERS General Manager requested Assistant City Attorney concurrence that only the basic Medicare Part D premium be included in the LACERS Senior Plan premiums, consistent with the handling of Medicare Part B reimbursements, and requested City Attorney review of proposed board rules on Medicare Part D.

The memo provides background on IRMAAs and the reason why administering IRMAA reimbursements would be administratively infeasible.

On May 12, 2011, the City Attorney's concurrence on the basic Medicare Part D premium reimbursement and sign-off on the Board rules were confirmed.

On September 13, 2011, the LACERS Board of Administration approved Resolution 110913-C. This resolution amended the Health Benefits Administration section (HBA) of the LACERS Board Rules. Language amendments to HBA 10.0 included: "LACERS will not cover member costs or provide reimbursement for any Medicare premium-related IRMAAs."

2012 – Language simplification in the LAAC City of Los Angeles

Ordinance No. 182,629, effective August 8, 2012, made numerous technical changes to amend LAAC Chapters 10 and 11 of Division 4. Among the technical changes included are language simplification that only retired employees are eligible to participate in the program, and that reimbursement is limited to the basic premium.

2021 to Present – Consideration to include Medicare Part B IRMAA in the Medicare Part B Reimbursement Program

On June 8, 2021, the LACERS Board of Administration directed staff to communicate to the City Council, in consultation with the City Attorney's Office, regarding the impact of excluding IRMAA in Medicare Part B reimbursements, and to assist the Council in considering an ordinance to amend the LAAC. This action stems from regularly receiving feedback from retired employees with IRMAAs, who perceive that IRMAAs increase their medical costs and that the medical subsidy for IRMAA-affected retirees is devalued.

LACERS received a written request from RLACEI, dated August 7, 2022, regarding support for reimbursement of IRMAAs. The request asks the Benefits Administration Committee to recommend that the LACERS Board of Administration direct an actuarial cost study to be conducted to explore the potential for full Medicare Part B IRMAA reimbursement. On August 23, 2022, the LACERS Board directed Segal to conduct an actuarial cost study to explore the Medicare Part B IRMAA and Medicare Part B reimbursements.

In June and September 2023, the Segal actuarial cost study, LACERS' educational campaign on IRMAAs, feedback from LACERS Members' meetings and surveys, and research on other pension systems that reimburse IRMAAs were presented to the LACERS Board. The President of the LACERS Board of Administration transmitted a request to the City Council, Council File 23-1131, on October 12, 2023. The request recommended that the City Council consider increasing reimbursements to LACERS Retired Members with Medicare Part B IRMAAs.

Public comments were submitted for Council File 23-1131 dated between October 19, 2023, and February 3, 2024. On February 2, 2024, the City Executive Employee Relations Committee (EERC) discussed the item without action. In December 2024, the council file was referred to the Personnel, Audits, and Hiring Committee. On October 12, 2025, Council File 23-1131 expired in accordance with City Clerk policy.

Prepared By: Rainbow Sun, Senior Benefits Analyst I

TB/DW:KF:MLD/JK:rs

Attachments: 1.

- . Ordinance No. 144,707, adopted April 26, 1973
- 2. Ordinance No. 145,067, adopted September 4, 1973
- 3. Selected documents from Council File 77-3382, various dates ranging 1977-1979
- 4. LACERS Board Resolution No. 84118(a), adopted December 20, 1983
- 5. Ordinance No. 171,743, adopted September 16, 1997
- 6. Ordinance No. 174,365, adopted December 12, 2001
- 7. Selected documents relating to Year 2006
- 8. Selected documents relating to Year 2011
- 9. Selected excerpt from Ordinance No. 182,629, adopted July 11, 2013
- 10a. June 8, 2021, LACERS Board Report Federal Legislation Impacting Retiree Income
- 10b. August 23, 2022, LACERS Board Report Income-Related Monthly Adjustment Amounts (IRMAA) and Medicare Part B Reimbursement Consideration
- 10c. June 13, 2023, LACERS Board Report Presentation of the Cost of Medicare Part B Premium Reimbursement and Income-Related Adjustment Amounts (IRMAA)
- 10d. September 26, 2023, LACERS Board Report Income-Related Monthly Adjustment Amount (IRMAA)
- 10e. October 12, 2023, LACERS Transmittal Letter to City Council

The Los Angolas Daily Journal

ORDINANCE NO. _____

trative Code.

////

////

////

THE PEOPLE OF THE CITY OF LOS ANGELES

DO ORDAIN AS FOLLOWS:

An Ordinance amending the Los Angeles Adminis-

Section 1. Article 5 of Chapter 7 of Division 4 of the Los Angeles Administrative Code is hereby amended by adding Section 4.310. thereto, said section to read:

Sec. 4.310. Reimbursement to Specified Employees of

Moneys Paid As Premiums for Part B

(Medical Insurance) Medicare Coverage.

Reimbursement from currently appropriated funds for the City health insurance subsidy may be made to any active City employee 65 or more years of age, who is enrolled in and covered by Parts A and B of Medicare, of the amount of any money paid by such employee as premium for Part B coverage (Medical Insurance) for an insured or covered period beginning on or after April 1, 1973, when sufficient proof of the employee's enrollment and coverage and of the premium's payment has been made as required by the Personnel Department. The Controller shall, upon request of the Personnel Department and receipt of its written certification that said proof has been duly made, effectuate such reimbursement.

SecThe City Clerk shall	certify to the passage of this ordinance and cause
ame to be published in some daily newspaper p	rinted and published in the City of Los Angeles.
hereby certify that the foregoing ordinance was smeeting ofAPRIL26_1973	passed by the Council of the City of Los Angeles
	REX E. LAYTON, City Clerk
	By Akinali Deputy.
MAY 8 1973	
	0 10
	1 Allen Start
	Mayor.
MAR 28 1973	
GER ARNEBERGH, City Attorney,	
Muss T. Adams	
JAMES T. ADAMS, Deputy.	
72-1165	5-17-13.
No. 23.	

The Los Angeles Daily Journal

ORDINANCE NO. 145067

An Ordinance amending Division 4 of the Los Angeles Administrative Code by adding a new Chapter 11 thereto so as to provide for a retirement benefit establishing a health insurance program for retired employees who are retired pursuant to the provisions of Article XXXIV of the Charter of the City of Los Angeles.

THE PEOPLE OF THE CITY OF LOS ANGELES

DO ORDAIN AS FOLLOWS:

Section 1. Division 4 of the Los Angeles Administrative Code is hereby amended by adding Chapter 11 thereto to read:

CHAPTER 11

HEALTH INSURANCE PROGRAM FOR RETIRED EMPLOYEES

ARTICLE 1.

PURPOSE AND ADMINISTRATION OF RETIRED EMPLOYEES HEALTH INSURANCE PROGRAM

Section 4.1100. Purpose of Program.

It is the purpose of this Chapter to provide a health insurance program whereby former employees who are retired pursuant to the provisions of Article XXXIV of the Charter of the City of Los Angeles and their eligible dependents will be provided with health insurance protection and a subsidy to apply to health insurance premiums as hereinafter set forth.

Section 4.1101. Administration.

The Health Insurance Program established by

Administration of the City Employees' Retirement
System (hereinafter referred to as "the Board").

In furtherance thereof, the Board shall contract for suitable health, medical or hospital plans to be made available to former employees retired pursuant to the provisions of Article XXXIV of the Charter of the City of Los Angeles and shall have the power to adopt such rules as it deems necessary to administer the Health Insurance Program.

Notwithstanding the foregoing provisions, the Board may in its discretion, and subject to the approval of the City Council and the Mayor, authorize the Personnel Department to administer this Health Insurance Program, in which case such authorization may include the power to negotiate and establish a health, medical and hospital plan or plans, provided however, that the Board shall retain the power to sign necessary service agreements or to execute contracts, and, provided further, that the Board shall reimburse the General Fund of the City of Los Angeles for all necessary expenses incurred by the Personnel Department in the administration of the Health Insurance Program.

ARTICLE 2.

HEALTH INSURANCE PREMIUM SUBSIDY ENTITLEMENT

Section 4.1102. Health Insurance Subsidy to be Provided for Approved Plans Only.

In order that a subsidy be paid on behalf of a retired employee as hereinafter provided, the

retired employee must be enrolled in a health insurance plan approved by the Board or by the Personnel Department if so authorized by the Board.

The health insurance premium subsidy and administrative costs will be provided solely by the City Employees' Retirement Fund established by Section 504 of the Charter of the City of Los Angeles, upon the conditions hereinafter set forth, in order to lessen or defray part or all of the cost of such health insurance to such eligible retired employee, as hereinafter defined.

Section 4.1103. Eligibility For a Health Insurance Premium Subsidy.

Upon written application by eligible retired employees and verification that the applicant is and remains enrolled, to the extent of his entitlement, in federally-funded Part A or Part B or Part A and Part B of Medicare, the following health insurance premium subsidy shall be paid:

(a) Those retired employees who are receiving an allowance pursuant to Article XXXIV of the Charter of the City of Los Angeles other than under a compulsory retirement as provided in Sec. 508 A of said Article, who do not qualify for benefits under federally-funded Part A of Medicare, and who have at least ten (10) years of City service as members of the City Employees' Retirement System including those years for which they acquired additional retirement service credits from said System, and who

3.

are age sixty (60) years or older, shall have paid to their approved health insurance carrier on their behalf the following amount:

Basic Monthly Subsidy: For ten (10) years of City service as defined in paragraph (a) of this section, 40% of the maximum monthly health subsidy amount established pursuant to the provisions of paragraph (d) of this section.

Additional Monthly Subsidy: For more than ten (10) years of City service as defined in paragraph (a) of this section, add to the Basic Monthly Subsidy 4% of the maximum monthly health subsidy for each whole year of City service in excess of ten (10) years.

Maximum Monthly Subsidy: No retired employee shall have paid to his health insurance carrier an amount exceeding the maximum monthly amount established pursuant to paragraph (d) of this section.

(b) Those retired employees who were compulsorily retired pursuant to Section 508 A of the Charter of the City of Los Angeles and who do not qualify for benefits under Part A of the federally-funded Medicare program shall have paid to their health insurance carrier on their behalf 4% of the maximum monthly subsidy for each whole year of

City service as defined in paragraph (a) of this section not to exceed the maximum monthly subsidy provided under paragraph (d) of this section.

- (c) Those retired employees with at least ten (10) years of City service as defined in paragraph (a) of this section or those compulsorily retired under the provisions of Section 508 A of the Charter of the City of Los Angeles who are receiving an allowance pursuant to Article XXXIV of said Charter of the City of Los Angeles and who qualify for benefits under federally-funded Part A of Medicare, shall have paid to the health insurance carrier providing them with a plan supplemental to Medicare coverage, an amount equal to the then current Part B Medicare monthly premium.
- (d) Upon the effective date of this ordinance, the maximum monthly subsidy shall be the amount provided by the Council for active employees, provided, however, that the Board, in its discretion, may by resolution increase or decrease the maximum monthly amount of the health insurance subsidy to reflect changes in the subsidy provided by the City for active employees, or to offset any increases or decreases in the level of benefits or the cost thereof, as a result of changes in existing benefits or the addition of newly created benefits by federal or state funded programs.

Any increase of the amount of the subsidy hereinabove referred to in this paragraph is hereby limited in that it may not result in a subsidy in excess of the amount allowed active members of the City Employees' Retirement System.

(e) In no event shall the subsidy provided in this section, when added to any other health insurance subsidy paid from the funds of the Department of Water & Power, the Fire and Police Pension System or the New Pension System, exceed the maximum subsidy paid to active employees of the City of Los Angeles.

Section 4.1104. Verification of Health Insurance Coverage.

Retired employees who are receiving a health insurance subsidy payable to their health insurance carrier pursuant to the provisions of this chapter may be required from time to time to provide evidence satisfactory to the Board that their health insurance coverage or Medicare or other federal or state funded health insurance plan is in full force and effect.

Section 4.1105. City Administrative Officer to Review Health Insurance Program.

The City Administrative Officer shall periodically review the Health Insurance Program established by this chapter and shall recommend such changes in said program to the Board as he deems

appropriate.

Section 4.1106. Operative Date of Health Insurance Program.

Notwithstanding the effective date of the provisions of this chapter, the operative date for the implementation of the subsidy as defined in Section 4.1102 of this chapter to negotiated and approved health plans shall be established by the Board.

c. 2 The City Clerk shall	certify to the passage of this ordinance and cause
ame to be published in some daily newspaper p	rinted and published in the City of Los Angeles.
hereby certify that the foregoing ordinance was SEPTEMBER 4 1973.	passed by the Council of the City of Los Angeles,
	REX E. LAYTON, City Clerk
	By Akinati
	Deputy.
SEP 4 1973	
	Dom / Tradle
	Mayor.
oved as to Form and Legality	
ED ADNEDEDCH Cian Assessor	
ER ARNEBERGH, City Attorney,	
Deputy.	
139930 S-3	-/

8.

fun No. 23.

BAC Meeting: 12/09/25 Item III Attachment 3

DECEMBER 19, 1979

Item No. 61 File No. 77-3382



Following the presentation of the ordinance and at the request of Councilman Bernardi, Mr. Jerry Selmer, representing the City Administrative Officer's Office, was requested to provide background on the ordinance for the benefit of the members of the Council. Mr. Selmer advised the Council that the City Administrative Officer opposed the ordinance because of the estimated annual cost (determined in a recent report to be approximately \$280,000 yearly), because the proposed subsidy would only benefit certain retired employees and because qualification for the benefit involved work not related to City employment.

During the questioning of Mr. Selmer following the commentary, he advised the members that a limited number of City employees (approximately 250) did receive a \$8.70 per month subsidy as enrollees under both parts A and B of Medicare. He stated that this subsidy to active City employees, who were age 65 and older and who met the Social Security requirements to be covered under the indicated parts of medicare, were receiving the subsidy because of Council action which had not been recommended by the City Administrative Officer.

General discussion and commentary followed Mr. Selmer's remarks. During the debate, Councilman Snyder, moved, seconded by Councilman Bernson, that a public hearing of five-minutes duration be authorized to hear from Mr. George Zakaryan, President of the Retired Los Angeles City Employees, Inc.

DEC 1919/9

The public hearing was approved by unanimous vote and the Council should support the ordinance providing the subsidy. Mr. Zakaryan advised in his commentary that it is inconsistent to reimburse active City employees for medicare premiums and not do so for retired employees who qualified for the coverage. He also indicated that certain offsetting costs should be taken into consideration in terms of the City's possible monetary obligation.

At the close of the public hearing and after a period of lengthy discussion, the ordinance failed of adoption by the following vote: (7-7). Roll

Following the foregoing action, the Clerk was instructed to proceed with the next order of business.

'78 MAY -1 PM 2 33

TOWERS, PERRIN, FORSTER & CROSBY

ONE CENTURY PLAZA

LOS ANGELES, CALIFORNIA 90067

(243)553-3470

April 26, 1978

Dr. C. Erwin Piper City Administrative Office City Hall Los Angeles, California 90012

Dear Dr. Piper:

We have reviewed the proposed City Ordinance originating from Council File No. 77-3382 and CAO File No. 0420-00377 which modifies the City Employees' Retirement System as set forth in Article XXXIV of the City Charter. In our judgment the System's service retirement benefits, as amended, will not exceed on the average those of the County of Los Angeles Employees' Retirement System.

I am a Member of the American Academy of Actuaries and an Associate of the Society of Actuaries. Both of these actuarial organizations are nationally recognized.

Sincerely,

Harry M. Church

HMC:1dt

cc: Mr. Gordon A. Turnbaugh

Mr. Sig Hillmer

OF 77-3382

File No. 77-3382

n

TO THE COUNCIL OF THE CITY OF LOS ANGELES

-1-

Your

PERSONNEL

Committee

reports as follows:

Your Committee considered the report of the City Administrative Officer regarding the request of the Retired Los Angeles City Employees, Inc. (RLACE) for modification to the City's health insurance program for retired employees to provide those retirees enrolled in both Parts A and B of Medicare with an additional health insurance subsidy amount sufficient to reimburse such retirees for the cost of their premium payment to Medicare for Part B coverage. The RLACE indicated that its request was based on the fact that active employees who are enrolled in Part A receive such reimbursement.

Section 4.310 of the Los Angeles Administrative Code authorizes reimbursement for the premium cost of Part B of Medicare (available to all citizens of the United States upon payment of insurance premiums to the Social Security Administration) to active employees over 65 years of age who are qualified for both Part B and for Part A (on the basis of Social Security participation) and enrolled in both Parts A and B of Medicare. Other active employees over 65 years of age who do not qualify for Part A coverage, receive no City reimbursement for their premium costs for Part B coverage.

In order to receive a City health insurance subsidy, City employees (both active and retired) who are 65 years or older must subscribe to Part B of Medicare or both Parts A and B of Medicare if qualified.

Active City employees 65 years of age or older qualified for Part A of Medicare receive a health insurance subsidy from the City which covers the cost of a City Supplemental health insurance plan (\$19.10), plus reimbursement for the cost of premium payments (\$7.70) to Medicare for Part B coverage. These combined costs (\$26.80) are far less than the City would pay for a regular health care plan (\$58.22) for an active employee who is not eligible for Part A coverage. Such employee would not receive reimbursement for premium costs of Part B.

Currently there are approximately 250 active employees participating in both Parts A and B of Medicare and receiving reimbursement from the City for their Part B expense at a minimal cost of approximately \$23,000 a year.

There are some 3,217 retired employees receiving a City health insurance subsidy. Of this number approximately 2,276 individuals (71%) are enrolled in both Parts A and B of Medicare. Reimbursement for their Part B coverage premium expense, would cost the City Employees' Retirement System (CERS) approximately \$210,000 a year. This cost per year is a significant amount compared to the \$23,000



TO THE COUNCIL OF THE CITY OF LOS ANGELES

-2-

Your

PERSONNEL

Committee

reports as follows:

it costs the City to reimburse active employees who are enrolled in both Parts A and B of Medicare.

The City Administrative Officer states that the City's health insurance program was not intended to equate the health insurance benefits for retired employees with those of active employees but to provide a reasonable level of health insurance protection and recommends against granting the RLACE request.

It is noted that as a result of a retired employee's eligibility for enrollment in Parts A and B of Medicare, the City is required to pay only a fractional portion of the normal premium cost for health insurance coverage. Since the City is saving subsidy money because of the retired employee's enrollment in Part A, and reimbursement for his Part B expense when added to the City subsidy amount is still far less than the subsidy amount the City pays to employees not eligible for Part A of Medicare, the majority of your Committee believes the request of the RLACE should be granted.

Inasmuch as enrollment of active and retired employees over 65 years of age in Parts A and B of Medicare results in substantial savings to the City for the cost of supplemental health insurance, the Majority members of your Committee RECOMMEND notwithstanding the recommendation of the City Administrative Officer, that in accordance with the request of the Retired Los Angeles City Employees', Inc. (RLACE) to modify the City's health insurance program for retired employees, that the City Attorney with the assistance of the City Administrative Officer be instructed to prepare the necessary ordinance to amend Section 4.1103 of the Administrative Code to provide those retirees enrolled in both Parts A and B of Medicare with an additional health insurance subsidy sufficient to reimburse them for the premium cost of Part B Medicare coverage as currently received by active employees.

-continued-

TO THE COUNCIL OF THE CITY OF LOS ANGELES

-3-

Your

PERSONNEL

Committee

reports as follows:

We FURTHER RECOMMEND that the City Administrative Officer be requested to submit concurrently with the ordinance the necessary actuarial statement required under Section 512.2 of the City Charter for changes in service retirement benefits.

Respectfully submitted,

PERSONNEL COMMITTEE

Atty. (w. file)

RLACE

CERS

CONT.

DSB

CAO PERSNL.

CBP:sam 1-16-78

CONTINUED TO Telmany 14,1978

CONTINUED TO March 9,1978

ADOPTED

MAR - 9 1978

LOS ANGELES CITY COUNCID



CITY ADMINISTRATIVE OFFICER

то	DATE	CAO FILE No.
VThe Personnel Committee	10/31/77	0420-00377
REFERENCE		COUNCIL FILE No.
Letter to the City Administrative Officer fro Personnel Committee, dated August 17, 1977.	m the	77-3382
SUBJECT		COUNCIL DISTRICT
Requested modification to the City's health i program for retired employees.	nsurance	

SUMMARY

The Retired Los Angeles City Employees, Inc. (RLACE) has requested that the City Council modify the City's health insurance program for retired employees to provide those retirees enrolled in both Parts A and B of Medicare with an additional health insurance subsidy amount sufficient to reimburse such retirees for the cost of their premium payment to Medicare for Part B coverage. The RLACE indicated that its request was based on the fact that active employees who are enrolled in Part A receive such reimbursement.

Section 4.310 of the Los Angeles Administrative Code authorizes reimbursement for the premium cost of Part B of Medicare to active employees over 65 years of age who are qualified and enrolled in both Parts A and B of Medicare. Other active employees over 65 years of age who do not qualify for Part A coverage, receive no City reimbursement for their premium costs for Part B coverage.

We believe that the granting of the RLACE request would not be appropriate or consistent with the City's intent in establishing a health insurance program for retired employees.

The City's health insurance program for retired employees was established in order to provide a reasonable level of health insurance protection to retirees after they have left active City service. No attempt was made to equate the health insurance benefits for retired employees with those of active employees. Only those retirees who qualify for Part A would receive reimbursement for their Part B coverage premium expense. Those retirees who do not qualify for Part A would not receive reimbursement. The cost of providing the reimbursement to those retirees who qualify would be approximately \$210,000 a year compared to the \$23,000 a year that it costs to provide this reimbursement to active

(Summary Continued)

Noted S. GIBSON, JR.

CITY ADMINISTRATIVE OFFICER

CAO FILE No.

PAGE

0420-00377

2

employees. The cost of providing the requested reimbursement to retirees would add to the present City Employees' Retirement System (CERS) tax rate as the cost of the retired employees' health insurance program is funded through this means. Finally, the Board of Administration of the CERS does regularly adjust the health insurance subsidy amount provided to retired employees soon after the City subsidy amount for active employees is adjusted. We believe that these annual adjustments in the retired employees' health insurance subsidy amounts are sufficient to provide retirees with adequate health insurance coverage at a reasonable cost.

RECOMMENDATION

Receive and file.

(Statement of Findings Attached)

CAO FILE No. PAGE 0420-00377 3

FINDINGS

1. Request

In a letter dated August 1, 1977, the Retired Los Angeles City Employees, Inc. (RLACE) requested that the City Council modify the City's health insurance program for retired employees to provide those retirees enrolled in both Parts A and B of Medicare with an additional health insurance subsidy amount sufficient to reimburse such retirees for their premium payment to Medicare for Part B coverage. The RLACE indicated that their request was based on the fact that this additional subsidy amount is currently provided to active City employees who are enrolled in both Parts A and B of Medicare.

2. Medicare Benefits

The Medicare program, administered by the Social Security Administration, provides health care benefits for individuals over 65 years of age as follows:

PART A-HOSPITAL COVERAGE

Hospital coverage is furnished without cost to those individuals age 65 or over who have become eligible for this benefit through Social Security participation. Since the City of Los Angeles does not belong to the Social Security program, City employees cannot qualify for this benefit on the basis of their City employment. However, many City employees and retirees can become eligible for this benefit by reason of other employment which provides for Social Security participation. Also, some retirees became eligible for Part A coverage by availing themselves of an open enrollment period for Part A which took place at the time the Medicare program was initiated in 1965. During this open enrollment period, virtually any individual age 65 or older could qualify and enroll in Part A. Social Security coverage was not required during this open enrollment period. Once the open period ended, progressively greater quarters of Social Security coverage were required in order to qualify for Part A of Medicare. Forty quarters or ten years of Social Security participation is currently required to qualify for Part A of Medicare coverage.

PART B-PHYSICIAN SERVICES

Part B coverage (physicians services) is available to any citizen of the United States upon payment of a monthly insurance premium to the Social Security administration (current premium \$7.70 per month).

In order to receive a City health insurance subsidy, City employees (both active and retired) who are 65 years or older must subscribe to Part B of Medicare or both Parts A and B of Medicare if they so qualify.

(Findings Continued)

CAO FILE No. PAGE

0420-00377

4

3. Background

Active City employees 65 years of age or older who qualify for Part A of Medicare receive a health insurance subsidy from the City which covers the cost of a City health insurance plan that is a supplement to the benefits provided under Part A. These particular employees also receive reimbursement from the City for the cost of their premium payments to Medicare for Part B coverage. The premium for this supplemental health care plan is only a fraction of the premium cost for regular health insurance coverage under the City's health plans. Thus, the cost to the City of paying the premium for the supplemental health plan plus reimbursing the employee for his Part B premium is less than the cost the City would experience by paying the premium for a regular City health care plan. For example, the monthly single party premium for the City indemnity health plan is \$53.22, while the monthly single party premium for the health plan which supplements Part A benefits is \$19.10. Thus, an active employee over 65 who is eligible for both Parts A and B of Médicare receives a City subsidy of \$19.10 a month to cover the cost of the supplemental plan plus a reimbursement of \$7.70 a month to cover the cost of the employee's premium payment for Part B of Medicare. An active employee over 65 who is not eligible for Part A coverage and enrolled in the City's indemnity health care plan receives a City subsidy of \$53.22 per month which covers the cost of his health coverage, however, the employee does not receive any reimbursement for the premium cost of his Part B coverage. Thus, even though the City reimburses those employees qualified for Part A for their Part B costs, the cost to the City of providing health insurance coverage is less (\$26.80 versus \$53.22) than what the City pays if the employee is not qualified for Part A,

Section 4.310 of the Los Angeles Administrative Code authorizes reimbursement for the premium cost of Part B of Medicare to active employees who are qualified and enrolled in both Parts A and B of Medicare. The enactment of this section was an outgrowth of a 1972 request of an active employee who was over 65 years of age. In his request the employee indicated that as a result of his being eligible for Part A of Medicare the City only had to pay a portion of the normal premium cost to provide the employee with health insurance coverage. The employee felt that if the City was saving subsidy money because of the employee's enrollment in Part A, then the City should reimburse the employee for his Part B expense because this reimbursement when added to the City subsidy amount did not exceed the subsidy amount the City was paying to employees who were not eligible for Part A of Medicare.

4. <u>Discussion</u>

Currently there are approximately 250 active employees participating in both Parts A and B of Medicare and receiving reimbursement from the City for their Part B expense. The cost of providing this

(Findings Continued)

CAO FILE No.

PAGE

0420-00377

5

reimbursement is approximately \$23,000 a year. This is a very minimum cost and in the future it is likely that the number of eligible active employees would decrease. This decrease would be due to the fact that eligibility for Part A coverage can only be arrived at through participation in Social Security and since the City does not belong to the Social Security program, no City employee can qualify for Part A on the basis of his City employment.

There are some 3,217 retired employees receiving a City health insurance subsidy. Of this amount approximately 2,276 individuals (71%) are enrolled in both Parts A and B of Medicare. If these individuals were to receive reimbursement for their Part B coverage premium expense, it would cost the City Employees' Retirement System (CERS) approximately \$210,000 a year. This cost per year is a significant amount compared to the \$23,000 it costs the City to reimburse active employees who are enrolled in both Parts A and B of Medicare.

As is the case for active employees, those retirees with Part A coverage receive their health insurance coverage through a health insurance plan which supplements Part A benefits. Again, as with the active employees, the premium cost of this supplemental plan is a fraction of the cost of the premium for a regular City health insurance plan. However, we believe that the granting of the RLACE request would not be appropriate or consistent with the City's intent in establishing a health insurance program for retired The City's health insurance program for retired employees was established in order to provide a reasonable level of health insurance protection to retirees after they have left active City service. No attempt was made by the City to equate the health insurance benefits for retired employees with those of active employees. We believe that the request of the RLACE to modify the health care program for retired employees should not be approved. The approval of this request could cause confusion among retired employees as it would be difficult for those not qualified for Part A of Medicare to understand why others were receiving a City reimbursement while they were not. In most cases those retirees who do not qualify for Part A of Medicare are career employees who devoted their entire working life to the City and, thus, did not establish eligibility for Part A coverage. One reason for the large number of retirees who are qualified for Part A is that they were originally blanketed in when Medicare was first established in 1965. Also, many employees after retiring from the City have since worked in situations where they participated in Social Security long enough to qualify for Part A coverage. The cost of providing this reimbursement to retired employees would add to the present City Employees' Retirement System tax rate as the retired employees health insurance program is funded through this means. Finally,

(Findings Continued)

CAO FILE No. PAGE 0420-00377 6

it must be kept in mind that the Board of Administration of the CERS does regularly adjust the health insurance subsidy amount provided to retired employees soon after the City subsidy amount for active employees is adjusted. We believe that these annual adjustments in the retired employees' health insurance subsidy amounts are sufficient to provide retired employees with adequate health insurance coverage at a reasonable cost.

Drew B. Sones

Administrative Analyst II

APPROVED:

ه در د<u>.</u>

city Administrative Officer

RETIRED LOS A TELES CITY EMPLOYEES INCORPORATED

3933 Wawona Street, Los Angeles, California 90065

William Frank President

June Grose 1st Vice President

T. Paul Moody 2nd Vice President

Samuel P. Bornstein Treasurer

Faye Nelson Secretary

Winston M. Roche Junior Past President

George M. Zakaryan Legislative Chairman August 1, 1977

Modification of Health Insurance Subsidy for Retired City Employees

Honorable Council City of Los Angeles Room 395 City Hall Los Angeles, Ca. 90012

12-1165

Dear Members:

Ordinance No. (144707) approved on May 3rd, 1973 provides that active employees who are 65 years of age and older and have both parts A & B of Medicare coverage under Social Security shall be reimbursed for their direct payments to Medicare. It is our understanding that this reimbursement is made on a cash basis quarterly directly to the active employee involved.

At the present time both active and retired employees basically receive the same health insurance subsidy coverage except for the above mentioned exception.

An oral request for this coverage has previously been made to the Board of Administration of the City Employees Retirement System.

Upon the advice of the City Attorney it was their suggestion that the City Council take the necessary steps to amend the ordinance so that it is explicit that such coverage shall be extended to retired city employees.

Therefore the Retired Los Angeles City Employees, Incorporated are hereby requesting that the above inequity in health insurance subsidy be corrected at the earliest opportunity.

GMZ:hb

Yours very truly,

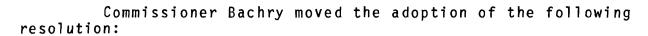
George M. Zakaryan,

Legislative Chairman

AUG 2 - 1977

Item III





- (L 🔌

RESOLUTION NO. 84118 (a)

WHEREAS, former city employees retired pursuant to Article XXXIV of the City Charter have had paid on their behalf a health insurance premium subsidy; and

WHEREAS, the Board of Administration has been granted the authority under Section 4.1103(d) of the Los Angeles Administrative Code to increase or decrease the maximum monthly subsidy payable to reflect changes in the subsidy granted active employees;

NOW, THEREFORE, BE IT RESOLVED, that retired members who qualify for federally funded parts A and B of Medicare be reimbursed for the premium cost of Medicare part B, and that the amount of \$14.60 be reimbursed to eligible members each month beginning with the retirement roll for the month of January 1984;

 $\,$ BE IT FURTHER RESOLVED, that this reimbursement be paid in addition to the health insurance subsidy provided under Resolution No. 83239 dated May 10, 1983;

BE IF FURTHER RESOLVED, that upon the death of the retired member no further reimbursement for the premium cost of part B of Medicare be paid on behalf of such members, and that the provisions of this resolution shall remain in effect until modified or cancelled by subsequent action of the Board;

which resolution, duly seconded by Commissioner Hurd, was adopted by the following vote: ayes, Commissioners Bachry, Hurd, Kyman and President Woods - 4; nays, none.

I hereby certify that the foregoing is a true and correct copy of a resolution duly adopted by the Board of Administration, City Employees' Retirement System, at its meeting held December 20, 1983.

TO THE COUNCIL OF THE CITY OF LOS ANGELES

18

-1-

Your

PERSONNEL AND LABOR RELATIONS

Committee

reports as follows:

RECOMMENDATION

Inasmuch as the Board of Administration of the City Employees' Retirement System already has the authority to make any necessary adjustments in the health insurance subsidy for retirees to reflect those changes in the subsidy as provided by the City for active employees in accordance with Section 4.1103 (d) of the Los Angeles Administrative Code, and further Council action thereon is unnecessary, we RECOMMEND, notwithstanding the CAO recommendation for 1984-85 budgetary evaluation thereon, that the communication from the General Manager-Secretary of the City Employees' Retirement System (CERS) requesting an expression of intent from the Council as to whether CERS should approve a request of the Retired Los Angeles City Employees, Inc. that Medicare Part B premium reimbursement be provided to retirees who are qualified for both Parts A and B of Medicare, as currently provided for active employees, BE RECEIVED AND FILED.

SUMMARY

The City Administrative Officer reports regarding the request of the City Employees' Retirement System for an expression of intent from the Council as to whether CERS should provide reimbursement of the Medicare Part B premium cost (currently \$12.20 per month) for retirees as provided for active employees.

The City provides a maximum health insurance subsidy to both its active employees and its retirees which may be applied toward the cost of any of several available health plans. Subsidy amounts vary for active employees depending upon bargaining unit coverage, but for retirees, the maximum level historically has been set equal to the subsidy provided for nonrepresented employees (currently a maximum of \$180 per month). The Council empowered the CERS Board of Administration, pursuant to Section 4.1003 (d) of the L.A.A.C., to revise the retirees' health subsidy to reflect changes in the subsidy provided to active employees, and this is regularly done shortly after adjustments are made for the active employees.

-continued-

TO THE COUNCIL OF THE CITY OF LOS ANGELES

-2-

Your PERSONNEL AND LABOR RELATIONS

Committee

reports as follows:

There are approximately 230 active City employees participating in both Parts A and B of Medicare and thus receiving reimbursement from the City for their Part B premium cost. The active employee reimbursement cost totals approximately \$33,600 per year.

There are 5377 retirees receiving a City health insurance subsidy of which 3228 (or 60%) are enrolled in both Parts A and B of Medicare. Reimbursement for the Part B coverage for those 3228 qualified retirees would cost CERS approximately \$472,500 per year.

It is noted that whenever an active City employee has both Parts A (hospitalization) and B (physician services) of Medicare it costs \$48.18 per month for a supplemental health insurance plan, whereas the full cost for that employee would be \$134.26 per month under the City's indemnity plan.

The retirees have long sought Part B reimbursement indicating their feeling that: (a) it is an inequity to provide the reimbursement to active employees and not retirees; and (b) these retirees, by virtue of qualifying for Social Security, permit the City to reduce health insurance premiums.

Arguments against the reimbursement are: a) health benefits for retirees were established to provide a reasonable benefits level and not specifically to equal in all instances those provided for active employees; b) there is a real dollar cost of the reimbursement which would be borne by the CERS; and c) reimbursement of a Social Security Medicare cost can be viewed as a City benefit provided for service credit obtained outside of City employment.

The City Council has twice previously rejected the retirees' request based in part on cost considerations, and there are still fiscal uncertainties before the City at this time. However, the retirees are now making the request to the CERS Board. The CERS Board is empowered to grant the requested reimbursement but is requesting whether the Council wishes to legislate or not on the matter.

-continued-

TO THE COUNCIL OF THE CITY OF LOS ANGELES

-3-

Your

PERSONNEL AND LABOR RELATIONS

Committee

reports as follows:

The CAO recommends that the Council indicate to the CERS Board of Administration that it desires to act in the matter of the Medicare premium reimbursement in conjunction with the consideration of the 1984-85 budget.

The CERS, however, has recently indicated their desire to proceed with the matter of providing the requested Medicare B reimbursement thus providing parity between active employees and retirees if there is no impediment to such an action.

As the CERS Board of Administration has already been empowered by the Council to revise the retirees' health subsidy to reflect changes in the subsidy provided to active employees, the subject request is redundant and may be received and filed.

Respectfully submitted,

PERSONNEL AND LABOR RELATIONS COMMITTEE

CBP:jd 11-14-83

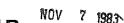
-Received and Filed

GENIMOR, CROS

Ernani Bernard



REPORT FROM



CITY ADMINISTRATIVE OFFICER

ТО	DATE	CAO FILE No.
re Personnel and Labor Relations Committee	11/4/83	0420-00217(25
REFERENCE		COUNCIL FILE No.
Letter to the Council from the General Manager City Employees' Retirement System dated October		83-1783
SUBJECT		COUNCIL DISTRICT
MEDICARE PART B REIMBURSEMENT FOR RETIREES		

SUMMARY

The City Employees' Retirement System (CERS) requests an expression of intent from the Council as to whether CERS should provide reimbursement of the Medicare Part B premium cost for retirees.

In order to receive a City health insurance subsidy, both active City employees and retirees age 65 or older must, if qualified, subscribe to Parts A and B of Medicare, which permit total City health insurance expenditures to be reduced. (Part A is hospitalization, provided to persons qualified for Social Security; Part B is physician services, provided to all persons 65 and older and requires a payment of \$12.20 per month.) The City reimburses the Part B premium cost for active employees who are qualified for both Parts A and B. There are currently approximately 230 employees receiving this reimbursement at an annual approximate total of \$33,600. To extend this reimbursement policy to the 3228 qualified retirees would cost the CERS approximately \$472,500 per year.

The retirees have long sought Part B reimbursement indicating their feeling that: a) it is an inequity to provide the reimbursement to active employees and not retirees; and b) these retirees, by virtue of qualifying for Social Security, permit the City to reduce health insurance premiums.

Arguments against the reimbursement are: a) health benefits for retirees were established to provide a reasonable benefits level and not specifically to equal in all instances those provided for active employees; b) there is a real dollar cost of the reimbursement which would be borne by the CERS; and c) reimbursement of a Social Security Medicare cost can be viewed as a City benefit provided for service credit obtained outside of City employment.

PERS. and LABOR REL

CITY ADMINISTRATIVE OFFICER

	CAO FILE No.	PA	.GE
ļ	0420-00217(2J)	2

The City Council has twice previously rejected the retirees' request based in part on cost considerations and there are still fiscal uncertainties before the City at this time. However, the retirees are now making the request to the CERS Board. The CERS Board is empowered to grant the requested reimbursement but is requesting whether the Council wishes to legislate or not on the matter.

RECOMMENDATION

That the Council:

- 1) Indicate to the City employees' Retirement System Board of Administration that it desires to act in the matter of a Medicare Part B premium reimbursement to retirees who are qualified for both Parts A and B of Medicare, and
- 2) That the Mayor and Council consider the matter in conjunction with the 1984-85 Budget.

FINDINGS:

Basis for Report

The Personnel and Labor Relations Committee on October 17, 1983, referred C.F. 83-1783 to the City Administrative Officer for report. The file consists of an October 6, 1983, communication from the General Manager of the City Employees' Retirement System (CERS) concerning retiree reimbursement for Medicare, Part B premiums. Essentially, the retirees, through correspondence of April 15, 1983, requested the CERS Board of Administration to extend the current health insurance program to provide those retirees enrolled in both Parts A and B of Medicare with reimbursement of the Part B premium cost similar to the current procedure for active employees. The CERS Board, in turn, desires an expression of the Council's intent in the matter by November 30, 1983, or the Board indicates it will feel constrained to consider the matter.

2. Medicare Benefits

The Medicare program is administered by the Social Security Administration, and it provides health care benefits for individuals age 65 and older as follows:

PART A (Hospitalization)

Hospital coverage without cost is provided to individuals age 65 and older who have become eligible for this benefit through Social Security participation themselves, or through being a spouse of someone who has qualified. Since the City does not participate in Social Security, City employees do not qualify for this benefit by virtue of their City employment; however, some City employees and retirees obtain eligibility anyway through outside (Social Security covered) employment. (Additionally, some retirees qualified through a one-time, open enrollment period in 1965 when the Medicare program began.) Forty quarters of Social Security participation are required to qualify for Part A coverage.

PART B (Physician Services)

Physician services coverage is available to any U.S. citizen who attains age 65 or older upon payment of a monthly insurance premium to the Social Security Administration. The current monthly premium is \$12.20.

3. City Health Benefits

The City provides a maximum health insurance subsidy to both its active employees and its retirees which may be applied toward the cost of any of several available health plans. Subsidy amounts vary for active employees depending upon bargaining unit coverage, but for retirees, the maximum level historically has been set equal to the subsidy provided for nonrepresented employees (currently a maximum of \$180 per month). The Council empowered the CERS Board of

4

Administration to revise the retirees health subsidy to reflect changes in the subsidy provided to active employees, and this is regularly done shortly after adjustments are made for the active employees.

4. Combined Medicare and City Health Benefits

In order to receive a City health subsidy, City active employees and retirees, who are 65 years or older, must subscribe to Part B of Medicare and, if they so qualify, to Part A also. Active City employees, who qualify for Part A coverage receive a health insurance plan that is a supplement to the benefits provided under Part A. These particular employees also receive reimbursement from the City for the cost of their premium payments for Part B coverage.

The monthly premium for this supplemental health care plan is considerably less than the premium cost for the City's regular health insurance plans, so much so in fact that the premium for the supplemental plan plus reimbursing the employee for his/her Part B premium together costs less than the City would experience by paying the premium for the regular health plan. (This situation is sometimes described by the retirees as the "City's cost break" obtained because active employees qualified for Medicare.) Specifically, an active employee, who is eligible for Parts A and B, receives a City supplemental health insurance plan (costing the City \$48.18 per month) plus a City reimbursement for his/her Part B (costing the City \$12.20 These combined costs (\$60.38 per month) are less than the City would pay for its regular health care plan for an active employee who is not eligible for Part A coverage. (For example, the employee only monthly premium under the City's indemnity plan is \$134.26.)

5. Costs

There are approximately 230 active City employees participating in both Parts A and B of Medicare and thus receiving reimbursement from the City for their Part B premium cost. The active employee reimbursement cost totals approximately \$33,600 per year.

There are 5377 retirees receiving a City health insurance subsidy of which 3228 (or 60%) are enrolled in both Parts A and B of Medicare. Reimbursement for the Part B coverage for those 3228 qualified retirees would cost CERS approximately \$472,500 per year.

6. Past Considerations

The Retired Los Angeles City Employees, Inc., through the CERS General Manager, have reinstated the longstanding equity issue of reimbursing the Part B premium cost for retirees that have qualified for both Parts A and B of Medicare. The following points have been discussed in the past and are provided again to permit a full discussion on this issue:

- a. The City Attorney has advised the CERS Board that it has authority to revise retiree health insurance benefits, absent any expression by the City Council of its intent to legislate in the area. In 1976 the CERS Board exercised that authority to grant dependent health coverage. While it therefore appears that both authority and precedent exist for the CERS Board to act on this issue, the matter is complicated by the fact that the Council has twice specifically declined to provide the Part B reimbursement to retirees. The viewpoint may then be expressed that the Council, in fact, has expressed its intent that no such legislation, hence no such reimbursement, occur.
- b. The retirees view that the City's Part B reimbursement to active employees, but not to retirees, as an inequity. The retirees point out that an active employee age 65 or older and qualified for Parts A and B has his/her Part B premium reimbursed, yet when that same employee retires from City service, the Part B reimbursement is discontinued. The CAO has responded to this view that there was never any intent on the part of the City to equate all health benefits for retirees with all health benefits for active employees. The CAO has indicated that the intent was to establish a reasonable level of health insurance protection to retirees after they have left active City service.
- c. There is a real dollar cost (approximately \$472,500 annually) to the CERS should the Part B reimbursement to retirees be authorized. This significant cost is approximately 14 times that currently paid for the Part B reimbursement to active employees and it is a cost that is not under the City's control. There are many fiscal uncertainties still before the City at this time and we are aware of current Federal reviews of the Medicare Plan which could lead to cost increases. Aside from this real dollar cost, there is the equity cost issue that reimbursement of Part B premiums would be made from CERS funds for individuals who gained Social Security credit on employment outside of City service.

Bernard J. Barrett

Senior Administrative Analyst II

APPROVED:

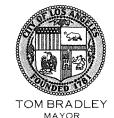
Assistant City Administrative Officer

BJB: tm



LITY OF LOS ANGELL

CALIFORNIA



CITY EMPLOYEES' RETIREMENT SYSTEM

ROOM 300, CITY HALL SOUTH 111 EAST 1ST STREET Los Angeles, CA 90012 485-2824

EARL D. ANSCHULTZ

October 6, 1983

BOARD OF

ADMINISTRATION

WILLIAM T. WOODS

PRESIDENT

JAMES B. McKENNA

VICE-PRESIDENT

CHESTER I BACHRY HENRY W. HURD

JEAN P. KYMAN

Honorable Council 200 North Spring Street Los Angeles, CA 90012

Dear Members of the Council:

In October of 1973 your honorable body adopted an ordinance which established various sections in the Administrative Code and thereby instituted a health insurance premium subsidy for retired members of the City Employees' Retirement System (CERS). Included in the provisions adopted was a maximum subsidy for retired members which would be paid by the CERS and which could not exceed the maximum subsidy for active members of the system. The legislation granted the Board of Administration of the CERS the authority to increase or decrease the maximum subsidy to reflect changes in the subsidy provided by the city for active employees.

Until 1976 the subsidy provided to retired members was to cover as a maximum only the cost of providing health insurance coverage to the member and no subsidy was provided for the cost of dependent coverage. In 1976, as a result of a request by the Retired Los Angeles City Employees, Inc. (RLACEI), the Board addressed a letter to your honorable body wherein it was stated that absent any expression by the City Council of its intent to legislate in the area and provide a subsidy for dependent health insurance coverage for retired members, the Board of Administration would act to authorize such subsidies. The City Attorney had stated that the Board of the CERS possessed the authority to grant such an increase, but the Board, wishing to be sure of the Council's feeling in this matter, wanted to give it an opportunity to act. The Council decided on March 26, 1976 to receive and file the Board's letter (Council File 75-4511S-1). The Board of the CERS, on April 15, 1976, acted to grant a subsidy which would cover the cost of dependent coverage for retired members.

At this time the RLACEI has requested that the Board extend its coverage further by reimbursing retired members for the cost of premiums for Medicare B as provided by the Federal Government. This cost of \$12.20 per month is reimbursed currently to active employees who are eligible to obtain such coverage. The total subsidy paid, including this reimbursement, may not exceed the maximum health insurance subsidy authorized for active employees. It has been pointed out by RLACEI that those retired members who qualify for this coverage have, in all cases, health insurance premium subsidies less than the maximum.

PERS, and IARAD REL.

Honorable Council Page 2 October 6, 1983

This request has twice been brought before the City Council and both times that the Council has considered the matter it was not adopted as an ordinance.

The Board of Administration, using the authority granted to it by the Administrative Code, is able to grant the reimbursement to retired members entitled to it, but again wishes to determine whether or not the Council wishes to legislate in the area. The cost of providing the benefit will be paid for from funds of the CERS and will not directly impact the budget of the city.

Absent any expression of the City Council intent by November 30, 1983, the Board of the CERS would feel constrained to consider the request of the RLACEI on its merit in accordance with the authority and responsibility granted the Board in the existing Administrative Code sections.

Very truly yours

Earl D. Anschultz Manager-Secretary

EDA:ml

cc: Mayor Tom Bradley

BAC Meeting: 12/09/25

Item III
Attachment 5

ORDINANCE NO. $\underline{}$

An ordinance amending Sections 4.1103 and 4.1103.2 of Division 4 of the Los Angeles Administrative Code, so as to provide for changes in when and the extent to which the City Employee's Retirement System Board of Administration may set the maximum monthly health subsidy for retirees.

THE PEOPLE OF THE CITY OF LOS ANGELES DO ORDAIN AS FOLLOWS:

Section 1. Subsections (d) and (e) of Section 4.1103 of the Los Angeles Administrative Code are hereby amended to read:

- (d) Upon the effective date of this Subsection, the Board of Administration shall, by resolution, set the maximum monthly amount of the health subsidy provided to retired employees that the Personnel Department is authorized by the Board of Administration to administer the Health Insurance program. Upon the effective date of the Subsection, the amount of the subsidy may not exceed \$472. Beginning January 1, 1999, the maximum amount of the subsidy may not exceed the maximum monthly subsidy previously approved by the Board of Administration by resolution plus or minus the change (increase or decrease) in the Citysponsored two-party, non Medicare Kaiser plan rate for retirees.
- (e) In no event shall the subsidy provided in this section, when added to any other health subsidy paid from the funds of the Department of Water and Power Retirement Plan and the Fire and Police Pension Systems, exceed the maximum amount established in Subsection (d) above.
- Sec. 2. Subsection (c) of Section 4.1103.2 of the Los Angeles Administrative Code is hereby amended by adding the following sentence thereto, to read:

Beginning January 1, 1999, the maximum amount of the subsidy may not exceed the maximum monthly subsidy previously approved by the Board of Administration by resolution plus or minus the change (increase or decrease) in the City-sponsored two-party, non Medicare Kaiser plan rate for retirees.

- Sec. 3. Subsection (e) of Section 4.1103.2 of the Los Angeles Administrative Code is hereby amended to read as follows:
 - (e) In no event shall the subsidy provided in this section, when added to any other health subsidy paid from the funds of the Department of Water and Power Retirement Plan and the Fire and Police Pension Systems, exceed the maximum

amount established in Subsection (c) above.

Sec. 4. The City Clerk shall certify to the passage of this ordinance and cause the same to be published in some daily newspaper printed and published in the City of Los Angeles.

	I hereby certify that the foregoing	ing ordinance was passed by the Council of the City
of I	Los Angeles, by a vote of not less	than two-thirds of all of its members, at its meeting
of	SEP 1 6 1997	÷

J. MICHAEL CAREY, City Clerk

Deputy

Approved <u>SEP 25 1997</u>

Maryor wit

Approved as to Form and Legality

<u>8-12-1997</u> James K. Hahn, City Attorney

Deputy City Attorney

File No. 97-0871

BAC Meeting: 12/09/25

Item III Attachment 6

ORDINANCE NO. 174365

An ordinance amending Chapter 10 and Chapter 11 of Division 4 of the Los Angeles Administrative Code (LAAC), to make certain technical changes to the health and welfare program for retired civilian City employees, and establish a new procedure to authorize the maximum health subsidy:

THE PEOPLE OF THE CITY OF LOS ANGELES DO ORDAIN AS FOLLOWS:

Sec. 1. Section 4.1001 of the Los Angeles Administrative Code is amended to add the following definition:

Sec. 4.1001 Definition of Terms

"Medicare Eligible": Shall mean a member or dependent who qualifies for Medicare Part A and Part B coverage.

Sec. 2. Chapter 11 of the Los Angeles Administrative Code is amended in its entirety to read as follows:

CHAPTER 11

HEALTH AND WELFARE PROGRAM FOR RETIRED CIVILIAN EMPLOYEES

ARTICLE 1 PURPOSE AND ADMINISTRATION OF RETIRED EMPLOYEES HEALTH AND WELFARE PROGRAM

Sec. 4.1100. Purpose of Program.

It is the purpose of this Chapter to establish Los Angeles City Employees' Retirement System ("LACERS") health and welfare programs, as authorized by the City Council, for employees who are retired pursuant to the provisions of Division 4, Chapter 10 of the Administrative Code and their eligible dependents.

Sec. 4.1101. Administration.

The Health and Welfare Program plans established by this Chapter shall be administered by the Board of Administration of the Los Angeles City Employees' Retirement System (Board). In furtherance thereof, the Board shall contract for suitable plans as authorized in Article 2 of this Chapter to be made available to former employees retired pursuant to the provisions of Division 4, Chapter 10 of the Administrative Code, and shall have the power to adopt such rules as it deems

necessary to administer the Health and Welfare Program.

ARTICLE 2 AUTHORIZED HEALTH AND WELFARE PROGRAMS

Sec. 4.1102.1. Establishment of Medical Plan Program.

A Medical Plan Program is hereby established. The Board is to administer the Medical Plan Program in accordance with the provisions of Sections 4.1101 and 4.1103 of this Chapter.

Sec. 4.1102.2. Establishment of Dental Plan Program.

A Dental Plan Program is hereby established. The Board is to administer the Dental Plan Program in accordance with the provisions of Sections 4.1101 and 4.1105 of this Chapter.

Sec. 4.1102.3. Discretionary Benefit Changes

The Board may make discretionary benefit changes as long as they involve cost increases of no more than one-half of one percent in total annual premium cost. The Board may make changes greater than the above level as long as the changes are submitted to the City Council for review. Any increases that are not acted upon by the Council within 30 days after receipt of the report to Council for consideration of the increase are deemed approved. Should the Council reject the increase approved by the Board, the Council shall determine the amount, if any, by which the benefit shall be increased and shall adopt such change by resolution.

ARTICLE 3 MEDICAL PLAN PREMIUM SUBSIDY

Sec. 4.1103. Medical Plan Premium Subsidy

In order that a medical plan premium subsidy be paid on behalf of a retired employee as hereinafter provided, the retired employee must be enrolled in a medical plan administered by the Board.

The medical plan premium subsidy and administrative costs will be provided solely by the Los Angeles City Employees' Retirement Fund established by Section 1102 of the Charter of the City of Los Angeles, upon the conditions hereinafter set forth in order to lessen or defray part or all of the cost of such medical plan to such eligible employee, as hereinafter defined.

Sec. 4.1103.1. Maximum Medical Plan Premium Subsidy

- (a) The maximum medical plan subsidy, effective January 1, 2000, is \$702.00. The Board may in its discretion, by resolution, change the maximum monthly amount of the medical plan subsidy provided to retired employees as long as any increase:
 - (1) Does not exceed the dollar increase in the Kaiser two-party non-Medicare Part A and Part B premium, and
 - (2) The average percentage increase for the first year of the increase and the preceding two years does not exceed the average assumed actuarial medical trend rates for the same period.
- (b) Any change made by the Board which exceeds the limits in (a)(1) or (a)(2) herein must be submitted for Council review accompanied by an actuarial report. Any increases that are not acted upon by the Council within 30 days after receipt of the report to Council for consideration of the increase are deemed approved. Should the Council reject the subsidy set by the Board, the Council shall determine the amount, if any, by which the subsidy shall be increased and shall adopt such change by resolution.
- (c) With regard to the medical plan premium subsidy increase recommended by the Board to be effective January 1, 2002, such change shall forthwith be submitted to the Council for review as provided in (b) herein.

Sec. 4.1103.2. Eligibility for a Retired Employee Medical Plan Premium Subsidy

Upon written application by eligible retired employees and verification that the applicant is, and remains enrolled, to the extent of the retiree's entitlement, in Part A or Part B or Part A and Part B of Medicare, the following medical plan premium subsidy shall be paid:

(a) Those retired employees who are receiving an allowance pursuant to Administrative Code Section 4.1020 or 4.1055, other than under a compulsory retirement as provided in former Section 508A of the Charter of the City of Los Angeles, who do not qualify for benefits under Part A of Medicare, who have at least ten (10) years of City Service as members of the Los Angeles City Employees' Retirement System including those years for which they acquired additional retirement service credits from said System, but excluding service credit secured under the provisions of Section 4.1052.1 of the Los Angeles Administrative Code, and who are age fifty-five (55) years or older, shall have paid to their approved medical plan carrier on their behalf the following amount:

Basic Monthly Subsidy: For ten (10) years of City Service as defined in Section 4.1001, 40% of the maximum monthly medical plan premium subsidy amount established pursuant to the provisions of Section 4.1103.1 of this Chapter.

Additional Monthly Subsidy: For more than ten (10) years of City Service as defined in Section 4.1001, add to the Basic Monthly Subsidy 4% of the maximum monthly medical plan premium subsidy for each whole year of City Service in excess of ten (10) years.

2.3

Maximum Monthly Subsidy: No retired employee shall have paid to his or her medical plan carrier an amount exceeding the maximum monthly amount established pursuant to Section 4.1103.1 of this Chapter or receive an amount in excess of the premium of the plan in which they are enrolled.

Dependent Monthly Subsidy: Monthly medical plan premium subsidy shall be applied first to the retiree's medical plan coverage with any balance applied toward the coverage of the retiree's dependent(s) under the same medical plan.

- (b) Those retired employees who were compulsorily retired pursuant to former Section 508A of the Charter of the City of Los Angeles and who do not qualify for benefits under Part A of Medicare shall have paid to their medical plan carrier on their behalf 4% of the maximum monthly subsidy for each whole year of City Service as defined in Section 4.1001 not to exceed the maximum monthly subsidy provided under Section 4.1103.1 of this Chapter.
- (c) Those retired employees with at least ten (10) years of City Service as defined in Section 4.1001, or those compulsorily retired under the provisions of former Section 508A of the Charter of the City of Los Angeles, who are receiving an allowance pursuant to Chapter 10 of the Los Angeles Administrative Code and who qualify for benefits under Part A and Part B of Medicare, shall have paid to the medical plan carrier providing them with a plan supplemental to Medicare coverage the following amount: For ten (10) years but less than fifteen (15) years of City Service, 75% of the monthly premium of the approved medical plan supplemental to Medicare coverage in which the retired employee is enrolled. For fifteen (15) years or more but less than twenty (20) years of City Service, 90% of the monthly premium of the approved medical plan supplemental to Medicare coverage which the retired employee is enrolled. For twenty (20) or more years of City Service, 100% of the monthly premium of the approved medical plan supplemental to Medicare coverage in which the retired employee is enrolled.

The amount of medical plan premium subsidy which is applied toward the coverage of the dependents of a retiree enrolled in both Part A and Part B of Medicare shall not exceed that amount which may be applied toward the coverage of the dependent(s) of a retiree not enrolled in both Part A and Part B of Medicare and covered by the same medical plan and with the same years of City Service.

For those compulsorily retired employees herein above referred to with less than ten

- (10) years of City Service, 75% of the monthly premium of the approved medical plan supplemental to Medicare coverage in which the retired employee is enrolled.
- (d) In no event shall the subsidy provided in this section, when added to any other medical plan premium subsidy paid from the funds of the Department of Water and Power Retirement Plan and the Fire and Police Pension Systems, exceed the maximum amount established in Section 4.1103.1.
- (e) To the extent that this section effectuates a different calculation of medical plan premium subsidies for retired employees whose service credit is based on periods of part-time and less than full-time employment, it is the intent of this section that the method of calculating the service credit herein established shall, as to such persons, be applicable only with respect to retired employees who became members of the Los Angeles City Employees' Retirement System after April 22, 1990.
- (f) Any member who retires pursuant to Section 4.1056.2 (c) of the Los Angeles Administrative Code shall be eligible to receive the medical plan premium subsidy as provided under Section 4.1103.2 of the Los Angeles Administrative Code.

Sec. 4.1103.3. Verification of Medical Plan Coverage

Retired employees who are receiving a medical plan premium subsidy payable to their medical plan carrier pursuant to the provisions of this Chapter may be required from time to time to provide evidence satisfactory to the Board that their medical plan coverage or Medicare or other federal or state funded medical plan is in full force and effect.

ARTICLE 4 REIMBURSEMENT FOR MEDICARE PART B

Sec. 4.1104. Reimbursement for Medicare Part B

In order that Medicare Part B reimbursement be paid on behalf of a retired employee as hereinafter provided, the retired employee must be enrolled in Medicare Parts A and B and enrolled in a medical plan administered by the Board or a participant in the Board's Medical Plan Premium Reimbursement Program.

The Medicare Part B reimbursement and administrative costs will be provided solely by the Los Angeles City Employees' Retirement Fund established by Section 1102 of the Charter of the City of Los Angeles, upon the conditions hereinafter set forth in order to reimburse the cost of Medicare Part B to such eligible employee, as hereinafter defined.

Sec. 4.1104.1. Verification of Eligibility for Medicare Part B Reimbursement

Reimbursement shall be paid to such retiree for Medicare Part B basic premium (Medical Insurance) for an insured or covered period beginning on or after January 1, 1978, when sufficient proof of the retiree's enrollment and coverage and of the premium's payment has been made as required by the Board.

ARTICLE 5 DENTAL PLAN PREMIUM SUBSIDY

Sec. 4.1105. Eligibility for a Retired Employee Dental Plan Premium Subsidy

In order that a dental plan premium subsidy be paid on behalf of a retired employee as hereinafter provided, the retired employee must be enrolled in a dental plan administered by the Board.

The dental plan premium subsidy and administrative costs will be provided solely by the Los Angeles City Employees' Retirement Fund established by Section 1154 of the Charter of the City of Los Angeles, upon the conditions hereinafter set forth in order to lessen or defray part or all of the cost of such dental plan to such eligible employee, as hereinafter defined.

Sec. 4.1105.1. Maximum Dental Plan Premium Subsidy

The maximum subsidy shall be the amount provided by the Council for active employees. The Board, in its discretion, may by resolution, increase or decrease the monthly amount of dental subsidy to reflect changes in the subsidy provided by the City for active employees, or to offset any increases or decreases in the level of benefits or the cost thereof, as the result of changes in existing benefits or the addition of newly created benefits by federal or state funded programs.

Sec. 4.1105.2. Eligibility for a Retired Employee Dental Plan Premium Subsidy

(a) Those retired employees who are receiving an allowance pursuant to Chapter 10 of Division 4 of the Los Angeles Administrative Code, other than under a compulsory retirement as provided in former Section 508A of the Charter, and who have at least ten (10) years of City Service as members of the Los Angeles City Employees' Retirement System including those years for which they acquired additional retirement service credits from said System, but excluding service credit secured under the provisions of Section 4.1052.1 of the Los Angeles Administrative Code, and who are age fifty-five (55) years or older, shall have paid to their approved dental plan carrier on their behalf the following amounts:

Basic Monthly Subsidy: For ten (10) years of City Service as defined in Section 4.1001, 40% of the maximum monthly dental subsidy amount established pursuant to 4.1105.1.

Additional Monthly Subsidy: For more than ten (10) years of City Service as defined in Section 4.1001, add to the Basic Monthly Subsidy 4% of the maximum monthly dental subsidy_for each whole year of City Service in excess of ten (10) years.

Maximum Monthly Subsidy: No retired employee shall have paid to his or her dental plan carrier an amount exceeding the maximum monthly amount established pursuant to the provisions of Section 4.1105.1 of this Chapter or receive an amount in excess of the premium of the plan in which they are enrolled.

Dependent Monthly Subsidy: There is no dental plan premium subsidy for dependents.

- (b) Persons who were compulsorily retired pursuant to former Section 508A of the Charter shall have paid to their dental plan carrier, on their behalf, 4% of the maximum monthly subsidy for each whole year of City Service as defined in Section 4.1001 not to exceed the maximum monthly dental plan premium subsidy provided in Section 4.1105.1.
- (c) In no event shall the subsidy provided in this section, when added to any other dental plan premium subsidy paid from the funds of the Department of Water and Power or the Fire and Police Pension Systems, exceed the maximum subsidy established in Section 4.1105.1.
- (d) To the extent that this section effectuates a different calculation of dental plan premium subsidies for retired employees whose service credit is based on periods of part-time and less than full-time employment, it is the intent of this section that the method of calculating the service credit herein established shall, as to such persons, be applicable only with respect to retired employees who became members of the Los Angeles City Employees' Retirement System after April 22, 1990.
- (e) Any member who retires pursuant to Section 4.1056.2 (c) of the Los Angeles Administrative Code shall be eligible to receive the dental plan premium subsidy as provided under Section 4.1103.2 of the Los Angeles Administrative Code.

ARTICLE 6

MEDICAL PLAN PREMIUM REIMBURSEMENT PROGRAM

Sec. 4.1106. Eligibility for Medical Plan Premium Reimbursement Program

- (a) Upon written application and verification, as required by the Board, those retired employees who are receiving an allowance pursuant to Chapter 10 of Division 4 of this Code, other than under a compulsory retirement as provided in former Section 508A of the Charter, and who have at least ten (10) years of City Service as members of the Los Angeles City Employees' Retirement System including those years for which they acquired additional retirement service credits from said System, but excluding service credit secured under the provisions of Section 4.1052.1 of this Code, who are age fifty-five years or older, and reside more than three (3) months of the year:
 - (1) outside the state of California; or
 - (2) in the state of California, but not within a LACERS administered HMO medical plan zip code service area, and are enrolled in a federally qualified HMO or a state regulated health insurance plan, shall be eligible for the medical plan premium reimbursement, as follows:

1. NON-MEDICARE ELIGIBLE

- A. Basic Monthly Reimbursement: For ten (10) years of City Service as defined in Section 4.1001 of this Code, 40% of the maximum monthly medical plan premium reimbursement amount established pursuant to the provisions of Subsection (c) herein.
- **B.** Additional Monthly Reimbursement: For more than ten (10) years of City Service as defined in Section 4.1001 of this Code, 4% of the maximum monthly medical plan premium reimbursement for each whole year of City Service in excess of ten (10) years shall be added to the Basic Monthly Reimbursement.

2. MEDICARE ELIGIBLE

- A. Basic Monthly Reimbursement: For ten (10) years or more but less than fifteen (15) years of City Service, 75% of the monthly medical plan premium reimbursement amount established pursuant to the provisions of Subsection (d) herein.
- B. Additional Monthly Reimbursement: For twenty Additional Monthly Reimbursement: For fifteen (15) years or more but less than twenty (20) years of City Service 90% percent of the monthly medical plan premium reimbursement amount established pursuant to the provisions of Subsection (d) herein. For (20) or more years of City Service, 100% of the monthly medical plan premium reimbursement amount established pursuant to the provisions of Subsection (d).

- (b) Persons who were compulsorily retired pursuant to former Section 508A of the Charter shall be reimbursed 4% of the maximum monthly medical plan premium reimbursement for each whole year of City Service as defined in Section 4.1001 of this Code, not to exceed the maximum monthly reimbursement provided under either Subsection (c) for Non-Medicare eligible retirees or Subsection (d) for Medicare eligible retirees.
- (c) The Board shall set the maximum medical plan premium reimbursement for non-Medicare eligible retirees in the same manner as in Section 4.1103.1 of this Chapter.
- (d) Effective January 1, 2001, the maximum monthly medical plan premium reimbursement for Medicare eligible retirees shall be \$261.57. The Board, in its discretion, may by resolution increase the monthly amount of medical plan premium reimbursement of Medicare eligible retirees.
- (e) In no event shall the subsidy provided in this section, when added to any other medical plan subsidy paid from the funds of the Department of Water and Power Retirement Plan and the Fire and Police Pension Systems, exceed the maximum amount established in Subsection (c) above.
- (f) Any member who retires pursuant to Section 4.1056.2 (c) of the Los Angeles Administrative Code shall be eligible to receive the medical plan premium reimbursement subsidy as provided under Section 4.1103.2 of the Los Angeles Administrative Code.

ARTICLE 7 SURVIVING SPOUSE MEDICAL PLAN PREMIUM SUBSIDY

Sec. 4.1107. Surviving Spouse's Eligibility For Medical Plan Premium Subsidy

(a) A surviving spouse of a deceased retired member shall be entitled to a medical plan subsidy if at the time of the member's death the member was eligible to receive the medical plan premium subsidy.

If the retired member dies prior to receiving the medical plan premium subsidy, the surviving spouse shall be eligible to receive a medical plan premium subsidy upon the date when the member would have become eligible, as provided in Section 4.1103.2, to receive the medical plan premium subsidy.

In order that a medical plan premium subsidy be paid on behalf of a surviving spouse as herein provided, the surviving spouse must be enrolled in a medical plan administered by the Board.

(b) The medical plan premium subsidy for a surviving spouse who is under age 65 or over 65 and only eligible for Medicare Part B shall be:

Basic Monthly Subsidy: For ten (10) years of the member's City Service as defined in Section 4.1001, 40% of the maximum monthly medical plan premium subsidy.

Additional Monthly Subsidy: For more than ten (10) years of the member's City Service as defined in Section 4.1001, add to the Basic Monthly Subsidy 4% of the maximum monthly medical plan premium subsidy for each whole year of City Service in excess of ten (10) years.

Maximum Monthly Subsidy: The maximum monthly medical plan premium subsidy shall be the Kaiser single-party premium for members without Medicare Parts A and B.

(c) The medical plan premium subsidy for a surviving spouse who is age 65 and older with both Parts A and B of Medicare shall be:

For ten (10) years but less than fifteen (15) years of the member's City Service, 75% of the single-party premium for a retired member with Parts A and B of Medicare in the plan in which the member is enrolled.

For fifteen (15) years but less than twenty (20) years of the member's City Service, 90% of the single-party premium for retired members with Parts A and B of Medicare in the plan in which the member is enrolled.

For twenty (20) or more years of the member's City Service, 100 % of the single party premium for retired members with Parts A and B of Medicare in the plan in which the member is enrolled.

- (d) A surviving spouse who is age 65 or older must enroll in Medicare to the full extent of his or her entitlement.
- (e) This medical plan premium subsidy will be provided to: (1) surviving spouses of current active and retired members and (2) current surviving spouses of deceased members as of the effective date of this section.

Sec. 4.1107.1. Domestic Partner Eligibility for Medical Plan Premium Subsidy

Domestic Partners who are provided a continuance pursuant to Section 4.1044.4 of the Los Angeles Administrative Code shall be entitled to the medical plan premium subsidy provided under Section 4.1107 of the Los Angeles Administrative Code.

Sec. 3. This ordinance shall become effective upon publication.

same to be published in some daily	ll certify to the passage of this ordinance and cause the newspaper printed and published in the City of Los
Angeles.	
introduced at the meeting of t by a vote of not less than tw meeting of OCI 2.4 2001	that the foregoing ordinance was he Council of the City of Los Angeles, o-thirds of all of its members, at the and was passed at its meeting of
NOV 2 7 2001	الرمان المساولات الم المناف ال
DEC 12 2001 Approved	J. MICHAEL CAREY, City Clerk By Land Cartes Deputy James K. Hahn Mayor

Approved as to Form and Legality

Rockard J. Delgadillo, City Attorney

Michael R. Wilkinson Deputy City Attorney

File No. 97-0871

70180

BAC Meeting: 12/09/25

Item III
Attachment 7

Ш

COMMITTEE REPORTS

- B. <u>Report from Chair Benefits Administration Committee</u> Chairperson Spiker presented three Committee reports with recommendations.
 - 1) APPROVAL OF MEDICARE PART B "BASIC" PREMIUM DEFINITION AND APPROVAL OF THE 2007 MEMBER MEDICARE PART B BASIC PREMIUM REIMBURSEMENT AMOUNT The Committee recommendation that the Board approve the definition of Medicare Part B "basic" premium as the monthly cost of being enrolled in Medicare Part B, not taking into account late enrollment penalties or IRMAAs; and approve the reimbursement of the 2007 Member Medicare Part B basic premium at a rate of \$93.50 per month, was approved as presented on a motion by Commissioner Spiker, seconded by Commissioner Rogers, and adopted by the following vote: ayes, Commissioners Candaele, Nodal, Rogers, Smith, Spiker and President Holoman 6; nays, none.

2007 MEDICARE PART B BASIC PREMIUM REIMBURSEMENT AMOUNT

Commissioner Spiker moved approval of the following Resolution:

RESOLUTION 061114-A

WHEREAS, the Los Angeles Administrative Code establishes that the Los Angeles City Employees Retirement System (LACERS) provide health and welfare programs for employees who are retired and their eligible dependents.

WHEREAS, the Medicare Prescription Drug, Improvement, and Modernization Act (MMA) of 2003 authorizes the addition of Income Related Monthly Adjustment Amounts (IRMAAs) to the Medicare Part B basic premium rates for beneficiaries who have an annual income greater than \$80,000 (\$160,000 for couples).

WHEREAS, LACERS reimburses the cost of the Medicare Part B basic premium to eligible Members (Administrative Code Section 4.1104.1).

WHEREAS, LACERS defines "basic" premium as the monthly cost of being enrolled in Medicare Part B (25% of the actuarial cost of the program, as determined by the federal government), not taking into account late enrollment penalties or IRMAAs.

WHEREAS, the Centers for Medicare and Medicaid Services has set the 2007 Medicare Part B basic premium at \$93.50.

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby adopts the Medicare Part B basic premium definition as 25% of the actuarial cost of the program, as determined by the federal government, not including late enrollment penalties and IRMAAs; and, approves an increase of the Medicare Part B basic premium reimbursement amount from \$88.50 to \$93.50.

which motion was seconded by Commissioner Rogers, and adopted by the following vote: ayes, Commissioners Candaele, Nodal, Rogers, Smith, Spiker and President Holoman – 6; nays, none.

2) MEDICARE PART B BASIC PREMIUM REIMBURSEMENT FOR SURVIVING SPOUSES AND DOMESTIC PARTNERS – The Committee recommendation that the Board direct staff to refer the Segal Report, dated February 27, 2006, to the City for the City Council's consideration of providing eligible Spouses/Domestic Partners with Medicare Part B reimbursements, was approved on a motion by Commissioner Spiker, seconded by Commissioner Rogers and adopted by the following vote: ayes, Commissioners Candaele, Nodal, Rogers, Smith, Spiker and President Holoman – 6; nays, none.

LACERS



Los Angeles City Employees' Retirement System

Report to Board of Administration

From: Benefits Administration Committee

Ken Spiker, Chairperson

Adolfo V. Nodal Rick Rogers

Agenda of:

NOVEMBER 14, 2006

ITEM:

III-B-1

SUBJECT:

APPROVAL OF MEDICARE PART B "BASIC" PREMIUM DEFINITION AND

APPROVAL OF THE 2007 MEMBER MEDICARE PART B BASIC PREMIUM

REIMBURSEMENT AMOUNT

Recommendation:

That the Board approve the:

- (1) Definition of Medicare Part B "basic premium" as the monthly cost of being enrolled in Medicare Part B, not taking into account late enrollment penalties or IRMAAs; and
- (2) Reimbursement of the 2007 Member Medicare Part B basic premium at a rate of \$93.50 per month.

Background:

The Benefits Administration Committee approved staff's recommendation at its November 7, 2006 meeting and present this report to the Board for its consideration.

On December 8, 2003, the President signed into law Public Law 108-173, the Medicare Prescription Drug, Improvement, and Modernization Act (MMA) of 2003, which provides seniors and individuals with disabilities a prescription drug benefit, more choices, and better benefits under Medicare. As part of this law, Section 1839 of the Social Security Act was amended to create an income-related reduction in Part B premium subsidies effective January 2007.

Traditionally, the cost of the Medicare Part B program is shared by both its members and the federal government – by law, the monthly premium for Medicare Part B must be sufficient to cover 25% of the program's costs, while the federal government subsidizes the remaining 75% of the cost. However, starting in 2007, retirees whose income exceeds \$80,000 per year (\$160,000 for couples) will receive less of a subsidy from the government and pay an income-related monthly adjustment amount (IRMAA) in addition to the basic premium and any late enrollment penalties.

Section 811 of the MMA also modified the Internal Revenue Code to authorize the Internal Revenue Service (IRS) to disclose information to the Social Security Administration regarding a person's modified adjusted gross income. The modified adjusted gross income used will be based on the income in the two taxable years prior to

the year involved. More recent income may be used under certain conditions, such as a significant decrease in income or a life-changing event.

See Attachment A for an outline of the new system.

Discussion:

Given the new Medicare Part B tiered premium system, LACERS must address how much of the Medicare Part B premium will be reimbursed to eligible Members. Pursuant to Los Angeles Administrative Code Section 4.1104.1 (see Attachment B), retired Members who are enrolled in Medicare Parts A and B and participating in a LACERS medical plan (or the Medical Premium Reimbursement Program) are entitled to reimbursement for the Medicare Part B <u>basic</u> premium. LACERS currently reimburses Medicare Part B participants \$88.50 per month, which is based on 25% of the cost of the program as determined by the federal government.

Because the Administrative Code only allows reimbursement of the basic premium, staff recommends that "basic premium" be defined as the monthly cost of being enrolled in Medicare Part B, not taking into account late enrollment penalties or IRMAAs, consistent with the current reimbursement level. Reimbursing Members beyond the basic Medicare Part B premium to include IRMAAs would prove difficult. The IRMAAs are based on a Member's entire income reported to the IRS, not just their LACERS retirement allowance. Therefore, staff would have no way of knowing a Member's Part B premium amount unless that Member provides this information to LACERS.

The Office of the City Administrative Officer is recommending to the City Council and Mayor ordinances authorizing Medicare Part B basic premium reimbursement for Fire and Police Pension System (FPPS) retirees and clarifying the definition of Medicare Part B basic premium for LACERS and FPPS (see Attachment C). At such time as amendments are made to the Administrative Code, staff will report them to the Board and recommend any necessary action.

Therefore, staff recommends beginning January 1, 2007, all eligible retired Members receive the same Medicare Part B premium reimbursement – that of the basic premium rate, which the federal government sets annually at 25% of the actuarial cost of the program. For 2007, this amount will be \$93.50 per month. The Committee concurs with these recommendations.

LP:AR

Attachments:

- A Income-Based Federal Subsidies and Premiums for Medicare Part B
- B Los Angeles Administrative Code Section 4.1104.1
- C Report from the Office of the Administrative Officer to Mayor Antonio Villaraigosa

Attachment A: Income-Based Federal Subsidies and Premiums for Medicare Part B

As part of the Medicare Prescription Drug, Improvement, and Modernization Act (MMA) of 2003 and beginning in 2007, Members enrolled in Medicare Part B will receive income-based federal subsidies and pay premium amounts as follows:

	Federal	Part B
Single Income (or Joint Income)	Subsidy	<u>Premium</u>
Less than \$80,00 (less than \$160,00 per couple)	75%	25%
\$80,001 to \$100,000 (\$160,001 to \$200,000 per couple)	65%	35%
\$100,001 to \$150,000 (\$200,001 to \$300,000 per couple)	50%	50%
\$150,001 to \$200,000 (\$300,001 to \$400,000 per couple)	35%	65%
Over \$200,000 (over \$400,000 per couple)	20%	80%

The reduced federal subsidies will be phased-in over five years in the following manner:

- 2007 20% of the reduced federal subsidy;
- 2008 40% of the reduced federal subsidy;
- 2009 60% of the reduced federal subsidy;
- 2010 80% of the reduced federal subsidy;
- 2011 and each subsequent year -100% of the reduced federal subsidy.

For 2007, the Medicare Part B premiums are set as follows:

Single Income (or Joint Income)	Part B Premium
Less than \$80,00 (less than \$160,00 per couple)	\$ 93.50
\$80,001 to \$100,000 (\$160,001 to \$200,000 per couple)	\$105.80
\$100,001 to \$150,000 (\$200,001 to \$300,000 per couple)	\$124.40
\$150,001 to \$200,000 (\$300,001 to \$400,000 per couple)	\$142.90
Over \$200,000 (over \$400,000 per couple)	\$161.40

ARTICLE 4 REIMBURSEMENT FOR MEDICARE PART B

Section

4.1104 Reimbursement for Medicare Part B.

4.1104.1 Verification of Eligibility for Medicare Part B Reimbursement.

Sec. 4.1104. Reimbursement for Medicare Part B.

In order that Medicare Part B reimbursement be paid on behalf of a retired employee as hereinafter provided, the retired employee must be enrolled in Medicare Parts A and B and enrolled in a medical plan administered by the Board or a participant in the Board's Medical Plan Premium Reimbursement Program.

The Medicare Part B reimbursement and administrative costs will be provided solely by the Los Angeles City Employees Retirement Fund established by Section <u>1102</u> of the Charter of the City of Los Angeles, upon the conditions hereinafter set forth in order to reimburse the cost of Medicare Part B to such eligible employee, as hereinafter defined.

SECTION HISTORY

Added by Ord. No. 145,067, Eff. 10-8-73.

Amended by: In Entirety, Ord. No. 174,365, Eff. 12-14-01.

Sec. 4.1104.1. Verification of Eligibility for Medicare Part B Reimbursement.

Reimbursement shall be paid to such retiree for Medicare Part B basic premium (Medical Insurance) for an insured or covered period beginning on or after January 1, 1978, when sufficient proof of the retiree's enrollment and coverage and of the premium's payment has been made as required by the Board.

SECTION HISTORY

Added by Ord. No. 174,365, Eff. 12-14-01.

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date:

October 30, 2006

CAO File No.

0410-04974-0000

Council File No. Council District:

To:

Antonio R. Villaraigosa, Mayor

From:

William T Fujioka, City Administrative Officer

Reference:

Letter from the Fire and Police Pension System dated August 23, 2006

Subject:

CHANGES IN MEDICARE PART B

SUMMARY

The Fire and Police Pension System (FPPS) has requested adoption of ordinances to codify its practice of reimbursing Medicare Part B premiums and to address changes in the Medicare Program which will go into effect on January 1, 2007.

The FPPS has been providing reimbursement for Medicare Part B premiums for retirees and surviving spouses for many years. For retirees it has acted in accordance with a Board resolution adopted in 1985; the surviving spouse reimbursement authority is in the Administrative Code. The proposed ordinance would be a technical change to also include the retiree reimbursement benefit in the Administrative Code.

Since the inception of Medicare, all Part B enrollees have paid the *basic premium*, which is defined as 25% of the full Part B cost. (The federal government subsidizes the remaining 75% of the cost). The Medicare Modernization Act, passed in 2003, included a provision to increase Part B premiums for higher income enrollees beginning in 2007 based upon an income test. Individuals with an adjusted gross income over \$80,000 (and couples with over \$160,000) as reported to the IRS will be required to pay an "income-related monthly adjustment amount" (IRMAA) in addition to the basic premium. The program will be phased-in over five years. Upon full implementation, higher income enrollees will pay between 35% and 80% of the Part B cost and therefore will have more out-of-pocket costs. (See Exhibit A.) Therefore, FPPS has requested that the new ordinance include reimbursement for the IRMAA as well as the basic premium.

This Office believes the ordinance should specify that the reimbursement is for the basic Medicare Part B premium, which is consistent with current practice. There are undetermined costs to the City of a higher level of reimbursement. Although there is some concern that the new Medicare Part B premium income related changes may cause some retirees to drop their Medicare Part B coverage, the theory behind the IRMAA is that it would apply to retirees who can afford the increased premium and therefore should not result in hardship. Furthermore, the retirement systems cannot estimate the cost of reimbursing the higher premiums because they do not have access to the adjusted gross

income information that will be used by the IRS and would not be aware of the retirees paying the higher premium without access to their income tax records.

LACERS also reimburses the basic Medicare Part B premium for civilian retirees, in accordance Los Angeles Administrative Code Section 4.1104. In view of the above-described legislation, it would be beneficial to clarify the definition of the benefit in the Code to apply to the basic premium. This technical change would also require an ordinance. LACERS has not requested reimbursement of the higher premiums for retirees affected by the IRMAA.

RECOMMENDATIONS

That the Council, subject to the approval of the Mayor, adopt ordinances authorizing Medicare Part B basic premium reimbursement for Fire and Police Pension System retirees and clarifying the definition of Medicare Part B basic premium for all LACERS and FPPS retirees.

WTF:MCH:kec168

Attachment

EXHIBIT A - SAMPLE PREMIUM INCREASE SCENARIO

The chart below summarizes the new Medicare Part B Premium scheme. For simplicity's sake, it assumes that the Monthly Actuarial Rate for all years will be \$100. The actual Monthly Actuarial Rates for these years will most likely be different, with the rates increasing year-over-year.

MEDICARE PART B SAMPLE PREMIUM BY INCOME AND YEAR

Yearly Income	2007 Premium	2008 Premium	2009 Premium	2010 Premium	2011 Premlum
Single: \$80,000 and below Married: \$160,000 and below	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
Single: \$80,001-\$100,000 Married: \$160,001-\$200,000	\$104.00	\$108.00	\$112.00	\$116.00	\$120.00
Single: \$100,001-\$150,000 Married: \$200,001-\$300,000	\$110.00	\$120.00	\$130.00	\$140.00	\$150.00
Single: \$150,001-\$200,000 Married: \$300,001-\$400,000	\$116.00	\$132.00	\$148.00	\$164.00	\$180.00
Single: \$200,001 and above Married: \$400,001 and above	\$122.00	\$144.00	\$166.00	\$188.00	\$210.00

NOTE: Medicare Part B premiums listed are for illustration purposes only. Medicare releases new Part B premiums annually. The 2007 premiums for Medicare Part B have not yet been released.

Source: Fire and Police Pension System

LACERS



Los Angeles City Employees' Retirement System

Report to Board of Administration

From: Benefits Administration Committee

Ken Spiker, Chairperson

Adolfo V. Nodal Rick Rogers Agenda of:

NOVEMBER 14, 2006

ITEM: III-B-2

SUBJECT:

MEDICARE PART B BASIC PREMIUM REIMBURSEMENT FOR SURVIVING

SPOUSES AND DOMESTIC PARTNERS

Recommendation:

That the Board direct staff to refer the Segal Report, dated February 27, 2006, to the City for the City Council's consideration of providing eligible Surviving Spouses/Domestic Partners with Medicare Part B reimbursements.

Discussion:

At its September 27, 2005 meeting, the Board authorized staff to obtain the cost of providing Medicare Part B premium reimbursement for Surviving Spouses and Domestic Partners, consistent with the benefit provided to eligible retired LACERS Members. At the April 25, 2006 meeting, staff presented the Segal study on Medicare Part B reimbursement for Surviving Spouses/Domestic Partners and recommended that the Board receive and file the report. The Board referred the matter to the Benefits Administration Committee. The Benefits Administration Committee reviewed the study on November 7, 2006 and is presenting its recommendation to the Board.

Section 4.1104 of the Los Angeles City Administrative Code provides Medicare Part B reimbursement only to retired LACERS Members who are enrolled in both Medicare Parts A and B and either subscribe to a LACERS' medical plan or participate in the Medical Premium Reimbursement Program (MPRP). Although Fire and Police Pensions offers Medicare Part B reimbursements to Surviving Spouses/Domestic Partners of their members, LACERS does not. As of the October 31, 2006 payroll, 1,397 Surviving Spouses/Domestic Partners are enrolled in Medicare Parts A and B. Currently, all Medicare participants pay the same Part B premium amount of \$88.50, which is based on 25% of the cost of the program. This amount will increase to \$93.50 per month in 2007 as discussed under a separate report.

The attached study of The Segal Company shows that providing Medicare Part B premium reimbursements to surviving spouses and domestic partners will increase our normal cost and actuarial unfunded accrued liability. As a result, City contributions would increase an amount equivalent to 0.26% of payroll.

LP:AR

Attachment: The Segal Company Study on Medicare Part B Reimbursement for Surviving Spouses dated

February 27, 2006

Board Report November 14, 2006



THE SEGAL COMPANY

120 Montgomery Street Suite 500 San Francisco CA 94104-4308 F 415 263 8273 F 415 263.8290 www.segalco.com

Paul Angelo, FSA
Vice President & Actuary
pangelo@segalco.com

February 27, 2006

Ms. Sally Choi Assistant General Manager Los Angeles City Employees' Retirement System 360 E Second Street, Second Floor Los Angeles, California 90012

Re: Los Angeles City Employees' Retirement System
Medicare Part B Reimbursement Study for Spouses

Dear Sally:

We have prepared a study to determine the cost to LACERS of reimbursing Medicare Part B premiums for surviving spouses and domestic partners. The cost in this study has been calculated as of June 30, 2005 assuming the cost of the improvement will be paid entirely by the City effective with the 2006/2007 fiscal year. Our results are shown in the enclosed Exhibit.

All assumptions, actuarial methodologies, and plan provisions are the same as those shown in the actuarial valuation report as of June 30, 2005. The change in the unfunded actuarial accrued liability is being authorized over 30 years as a level percentage of payroll.

If you have any questions, feel free to call.

Sincerely.

Paul Angelo

RPT/dvb Enclosure

193487/05806.002

Benefits, Compensation and HR Consulting Atlanta BOSTON CHICAGO CLEVELAND DENVER HARTFORD HOUSTON LOS ANGELES MINNEAPOLIS NEW ORLEANS NEW YORK PHILADELPHIA PHDENIX SAN FRANCISCO SEATTLE TORONTO WASHINGTON DC

Multinational Group of Actuanes and Consultants Amsterdam Barcelona Geneva Hamburg Johannesburg London Melbourne Mexico City Oslo Paris

Los Angeles City Employees' Retirement System

EXHIBIT

Cost of Addition of Part B coverage for surviving spouses and surviving domestic partners

	June 30, 2005
Increase in normal cost	\$1,259,726
Increase in obligations	
Current Retirees	\$32,983,271
Future retirees	16,603,488
Total	\$49,586,759
Increase in Annual Payment (in dollars)	
Normal Cost	\$1,259,726
Payment on Obligation	2,710,051
Interest Adjustment	154,725
Total	\$4,124,502
Payroll*	\$1,589,305,846
Increase in Annual Payment (per cent of pay)	
Normal Cost	0.08%
Payment on Obligation	0.17
Interest Adjustment	<u>0.01</u>
Total	0.26%
Increase in Cash Cost in 2006-2007	\$1,541,529

^{*}Projected payroll for 2005-06

BAC Meeting: 12/09/25

Item III Attachment 8

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM BOARD RULE AMENDMENTS RELATED TO MEDICARE PREMIUM INCOME-RELATED MONTHLY ADJUSTMENT AMOUNTS

Commissioner Rogers moved approval of the following Resolution:

RESOLUTION 110913-C

WHEREAS, Los Angeles Administrative Code Section 4.1101 provides the Board with "...the power to adopt such rules as it deems necessary to administer the Health and Welfare Program";

WHEREAS, according to Los Angeles Administrative Code (LAAC) Section 4.1103.2 and LACERS Board Rule HBA 10.0, in order to qualify for a LACERS medical plan premium subsidy and be eligible for coverage in a LACERS-sponsored medical plan, Retired Members and their eligible surviving spouses/domestic partners and dependents are required to enroll in all parts of Medicare (Medicare Part A or Part B or Medicare Parts A and B) for which they are eligible, upon turning age 65;

WHEREAS, pursuant to LAAC Section 4.1104.1 and LACERS Board Rule HBA 11.0, eligible Retired Members who are enrolled in both Medicare Parts A and B are reimbursed only for their Medicare Part B basic premium, which does not include any Medicare Part B premium-related Income-Related Monthly Adjustment Amounts;

WHEREAS, on January 1, 2011, Medicare Part D premiums became income-related and the Center for Medicare and Medicaid Services began charging higher Medicare Part D premiums through Income-Related Monthly Adjustment Amounts for retirees whose incomes are greater than an established threshold;

WHEREAS, LACERS senior medical plan premiums include the cost of the basic Medicare Part D premium;

WHEREAS, the current set of Health Benefits Administration Board Rules does not address application of a member's medical plan premium subsidy toward or reimbursement of Medicare Part D Income-Related Monthly Adjustment Amounts;

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby adopts amendments to Health Benefits Administration Board Rules, as follows:

HBA 5.0 Medical Premium Reimbursement Program

The Medical Premium Reimbursement Program (MPRP) is available to Retired Members and Surviving Spouses/Domestic Partners who are unable to access a LACERS HMO medical plan. (LAAC 4.1106) In addition to the requirements set forth in LAAC 4.1106, eligibility for reimbursement is subject to the following:

- (a) Dental coverage is exempt from this program.
- (b) Once Members begin participating in the MPRP, they may change their individual medical plan at any time provided that they furnish all enrollment/disenrollment/ payment information to LACERS.
- (c) Members may receive reimbursement for their supplemental Medicare Part D basic premium in order to maintain creditable coverage. Reimbursement for the supplemental Medicare Part D basic premium, when added to the reimbursement for the Member's primary medical plan, will not exceed the maximum subsidy available to that Member.

- (d) Provided they meet all the program qualifications, Members who are enrolled in one of the following types of plan, and are paying all or a portion of the premium, will be eligible for participation in the MPRP:
 - 1. A plan sponsored by an active employer
 - 2. A plan sponsored by a retirement system other than LACERS
 - 3. A partially subsidized health plan
- (e) Members qualified for MPRP and enrolled in Medicare Parts A and B who receive health coverage premium- free will be eligible for Medicare Part B premium reimbursement.
- (f) Members may receive reimbursement for separate vision plan insurance if their existing medical plan does not provide vision coverage, or the vision services provided are not equivalent to LACERS vision benefits. Reimbursement for separate vision plan insurance, when added to the reimbursement for the Member's primary medical plan and Medicare Part D, will not exceed the maximum subsidy available to that Member.

HBA 10.0 Required Proof of Medicare Insurance

Proof and/or assignment of Medicare is required for all individuals eligible for various Medicare insurance coverages regardless of the age of the individual(s) (LAAC 4.1103.2 and 4.1103.3). Members are eligible for Medicare at 65 years of age, but may become eligible before age 65 if they have a Medicare-qualifying disability (such as End Stage Renal Disease).

- (a) Notwithstanding any other provision for these rules to the contrary, a Retired Member, Eligible Surviving Spouse/Domestic Partner or dependent who is eligible to enroll in Medicare (Parts A&B or Part B only) shall not be eligible for coverage under any health benefit plan offered or sponsored by LACERS until such individual enrolls in Medicare and submits proof to LACERS. "Proof" of Medicare enrollment shall be defined as a Medicare card or an eligibility printout from the Social Security Administration.
- (b) The Board may require enrollment in other parts of Medicare to ensure the financial stability of its health plan offerings and to be in compliance with carrier contract provisions.
- (c) The same Medicare insurance requirements apply to the Medical Premium Reimbursement Program (MPRP).
- (d) The medical plan premiums of a LACERS Senior Plan will only include the Medicare Part D "basic" premium, which is that portion of the Medicare Part D premium that does not include any Income-Related Monthly Adjustment Amounts (IRMAAs).
- (e) LACERS will not cover member costs or provide reimbursement for any Medicare premium-related IRMAAs.

which motion was seconded by Commissioner Chick, and adopted by the following vote: Ayes, Commissioners Bardwell, Chick, Penichet, Rogers, Spiker, and President Conroy - 6; Nays – None.

I hereby certify that the foregoing is a true and correct copy of a Resolution duly adopted by the Board of Administration, Los Angeles City Employees' Retirement System, at its Regular Meeting held on September 13, 2011.

Thomas Moutes Manager-Secretary

1 George





Report to Board of Administration

From: Benefits Administration Committee: Agenda of: SEPTEMBER 13, 2011

Ken Spiker, Chair

Robert A. Chick ITEM: IV-A-1

Jeffrey Penichet

SUBJECT: BOARD RULES REGARDING MEDICARE PART D AND INCOME-RELATED

MONTHLY ADJUSTMENT AMOUNTS

Recommendation:

That the Board approve Board Rule amendments to clarify the extent of LACERS coverage and reimbursement of Medicare Part D and Medicare Premium-Related Income-Related Monthly Adjustment Amounts (IRMAAs).

Discussion:

Background

On August 18, 2011, staff presented to the Benefits Administration Committee (Committee), Board Rule amendments related to the reimbursement or medical plan premium subsidy coverage of Medicare Part D IRMAAs or any other Medicare-related IRMAAs. The Committee approved forwarding the Board Rule amendments to the Board for its approval.

Prior to 2007, LACERS Retired Members who were Medicare Part B enrollees paid a single Medicare Part B basic premium rate, as set each year by the Centers for Medicare and Medicaid Services (CMS). Beginning in 2007 up to the present, as a result of federal legislation, the Medicare Part B premium rates became income based. This meant that higher income earning Medicare enrollees are now required to pay higher Medicare Part B premiums consisting of the Medicare Part B basic premium rate and an Income-Related Monthly Adjustment Amount (IRMAA).

On January 1, 2011, as part of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010, the Medicare Part D premiums also became income based. As a result, LACERS Retired Members who are Medicare enrollees and have annual incomes exceeding a set threshold (\$85,000 for single filers and \$170,000 for joint filers in 2011) are now required to pay IRMAAs for their Medicare Part D as well as for their Medicare Part B premiums.

LACERS Retired Members who enroll in a LACERS Senior Plan (i.e., Anthem Medicare Supplement, SCAN, SecureHorizons, or Kaiser Permanente Senior Advantage) are automatically enrolled in Medicare Part D and the cost of the Medicare Part D basic premium is included in the LACERS Senior Plan premiums. The premiums do not include Medicare Part D premium-related IRMAAs, which are billed separately to the Medicare enrollee by CMS.

LACERS Medicare Part B Reimbursement Policy

According to Los Angeles Administrative Code (LAAC) Section 4.1103.2 and LACERS Board Rule HBA 10.0, in order to qualify for a LACERS medical plan premium subsidy and be eligible for coverage in a LACERS-sponsored medical benefit plan, Retired Members and their eligible surviving spouses/domestic partners and dependents are required to enroll in all parts of Medicare (Medicare Part A or Part B or Medicare Parts A and B) for which they are eligible, upon turning age 65.

Pursuant to LAAC Section 4.1104.1 and LACERS Board Rule HBA 11.0, eligible Retired Members who are enrolled in both Medicare Parts A and B are reimbursed only for their Medicare Part B basic premium. LACERS does not reimburse Medicare Part B premium-related IRMAAs. Dependents and surviving spouses/domestic partners of Retired Members are not eligible for this reimbursement.

Proposed Board Rule

To address the legislative change regarding the income-based Medicare Part D premiums that became effective in 2011, LACERS staff recommends amending the current LACERS Board Rules to clarify the extent of its coverage and reimbursement of Medicare Part D and Medicare premium-related IRMAAs.

Amendment to LACERS Board Rules HBA 10.0 and HBA 5.0

LAAC Section 4.1101 states that the Board "shall have the power to adopt such rules as it deems necessary to administer the Health and Welfare Program." Although the LAAC requires enrollment of eligible members in Medicare Parts A and B and provides for reimbursement of the Medicare Part B basic premium to eligible retirees, it lacks specific language regarding Medicare Part D premium-related IRMAAs. To remain consistent with the existing LAAC provisions, amending the LACERS Board Rules to state that only the Medicare Part D basic premium will be incorporated into the LACERS Senior Plan premiums would ensure that LACERS is not subsidizing any Medicare premium-related IRMAAs. Therefore, staff recommends amending the LACERS Board Rules, as indicated in **bold**:

HBA 10.0 Required Proof of Medicare Insurance

Proof and/or assignment of Medicare is required for all individuals eligible for various Medicare insurance coverages regardless of the age of the individual(s) (LAAC 4.1103.2 and 4.1103.3). Members are eligible for Medicare at 65 years of age, but may become eligible before age 65 if they have a Medicare-qualifying disability (such as End Stage Renal Disease).

- (a) Notwithstanding any other provision for these rules to the contrary, a Retired Member, Eligible Surviving Spouse/Domestic Partner or dependent who is eligible to enroll in Medicare (Parts A&B or Part B only) shall not be eligible for coverage under any health benefit plan offered or sponsored by LACERS until such individual enrolls in Medicare and submits proof to LACERS. "Proof" of Medicare enrollment shall be defined as a Medicare card or an eligibility printout from the Social Security Administration.
- (b) The Board may require enrollment in other parts of Medicare to ensure the financial stability of its health plan offerings and to be in compliance with carrier contract provisions.

- (d) The same Medicare insurance requirements apply to the Medical Premium Reimbursement Program (MPRP).
- (e) The medical plan premiums of a LACERS Senior Plan will only include the Medicare Part D "basic" premium, which is that portion of the Medicare Part D premium that does not include any Income-Related Monthly Adjustment Amounts (IRMAAs).
- (f) LACERS will not cover member costs or provide reimbursement for any Medicare premium-related IRMAAs.

HBA 5.0 Medical Premium Reimbursement Program

(c) Members may receive reimbursement for *their* supplemental Medicare Part D insurance *basic premium* in order to maintain creditable coverage. Reimbursement for *the* supplemental Medicare Part D insurance *basic premium*, when added to the reimbursement for the Member's primary medical plan, will not exceed the maximum subsidy available to that Member.

Technical Correction: The bullet headings under LACERS Board Rule HBA 10.0 will be re-ordered since bullet (b) is missing in the current version.

This report was prepared by James Aceron, Management Analyst II, and Alex Rabrenovich, Chief Benefits Analyst, of the Health Benefits Administration Division.

AR:JTA

Attachments: 1) Proposed Resolution

2) Referenced Los Angeles Administrative Code Sections and LACERS Board Rules

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM BOARD RULE AMENDMENTS RELATED TO MEDICARE PREMIUM INCOME-RELATED MONTHLY ADJUSTMENT AMOUNTS

PROPOSED RESOLUTION

WHEREAS, Los Angeles Administrative Code Section 4.1101 provides the Board with "...the power to adopt such rules as it deems necessary to administer the Health and Welfare Program.";

WHEREAS, according to Los Angeles Administrative Code (LAAC) Section 4.1103.2 and LACERS Board Rule HBA 10.0, in order to qualify for a LACERS medical plan premium subsidy and be eligible for coverage in a LACERS-sponsored medical plan, Retired Members and their eligible surviving spouses/domestic partners and dependents are required to enroll in all parts of Medicare (Medicare Part A or Part B or Medicare Parts A and B) for which they are eligible, upon turning age 65;

WHEREAS, pursuant to LAAC Section 4.1104.1 and LACERS Board Rule HBA 11.0, eligible Retired Members who are enrolled in both Medicare Parts A and B are reimbursed only for their Medicare Part B basic premium, which does not include any Medicare Part B premium-related Income-Related Monthly Adjustment Amounts;

WHEREAS, on January 1, 2011, Medicare Part D premiums became income-related and the Center for Medicare and Medicaid Services began charging higher Medicare Part D premiums through Income-Related Monthly Adjustment Amounts for retirees whose incomes are greater than an established threshold:

WHEREAS, LACERS senior medical plan premiums include the cost of the basic Medicare Part D premium;

WHEREAS, the current set of Health Benefits Administration Board Rules does not address application of a member's medical plan premium subsidy toward or reimbursement of Medicare Part D Income-Related Monthly Adjustment Amounts;

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby adopts amendments to Health Benefits Administration Board Rules, as follows:

HBA 5.0 Medical Premium Reimbursement Program

The Medical Premium Reimbursement Program (MPRP) is available to Retired Members and Surviving Spouses/Domestic Partners who are unable to access a LACERS HMO medical plan. (LAAC 4.1106) In addition to the requirements set forth in LAAC 4.1106, eligibility for reimbursement is subject to the following:

- (a) Dental coverage is exempt from this program.
- (b) Once Members begin participating in the MPRP, they may change their individual medical plan at any time provided that they furnish all enrollment/disenrollment/payment information to LACERS.
- (c) Members may receive reimbursement for their supplemental Medicare Part D basic premium in order to maintain creditable coverage. Reimbursement for the supplemental Medicare Part D basic premium, when added to the reimbursement for the Member's primary medical plan, will not exceed the maximum subsidy available to that Member.

- (d) Provided they meet all the program qualifications, Members who are enrolled in one of the following types of plan, and are paying all or a portion of the premium, will be eligible for participation in the MPRP:
 - 1. A plan sponsored by an active employer
 - 2. A plan sponsored by a retirement system other than LACERS
 - 3. A partially subsidized health plan
- (e) Members qualified for MPRP and enrolled in Medicare Parts A and B who receive health coverage premium- free will be eligible for Medicare Part B premium reimbursement.
- (f) Members may receive reimbursement for separate vision plan insurance if their existing medical plan does not provide vision coverage, or the vision services provided are not equivalent to LACERS vision benefits. Reimbursement for separate vision plan insurance, when added to the reimbursement for the Member's primary medical plan and Medicare Part D, will not exceed the maximum subsidy available to that Member.

HBA 10.0 Required Proof of Medicare Insurance

Proof and/or assignment of Medicare is required for all individuals eligible for various Medicare insurance coverages regardless of the age of the individual(s) (LAAC 4.1103.2 and 4.1103.3). Members are eligible for Medicare at 65 years of age, but may become eligible before age 65 if they have a Medicare-qualifying disability (such as End Stage Renal Disease).

- (a) Notwithstanding any other provision for these rules to the contrary, a Retired Member, Eligible Surviving Spouse/Domestic Partner or dependent who is eligible to enroll in Medicare (Parts A&B or Part B only) shall not be eligible for coverage under any health benefit plan offered or sponsored by LACERS until such individual enrolls in Medicare and submits proof to LACERS. "Proof" of Medicare enrollment shall be defined as a Medicare card or an eligibility printout from the Social Security Administration.
- (b) The Board may require enrollment in other parts of Medicare to ensure the financial stability of its health plan offerings and to be in compliance with carrier contract provisions.
- (c) The same Medicare insurance requirements apply to the Medical Premium Reimbursement Program (MPRP).
- (d) The medical plan premiums of a LACERS Senior Plan will only include the Medicare Part D "basic" premium, which is that portion of the Medicare Part D premium that does not include any Income-Related Monthly Adjustment Amounts (IRMAAs).
- (e) LACERS will not cover member costs or provide reimbursement for any Medicare premium-related IRMAAs.

Attachment 2

Referenced Los Angeles Administrative Code Sections and LACERS Board Rule

LOS ANGELES ADMINISTRATIVE CODE

Sec. 4.1101. Administration.

The Health and Welfare Program plans established by this Chapter shall be administered by the Board of Administration of the Los Angeles City Employees' Retirement System (Board). In furtherance thereof, the Board shall contract for suitable plans as authorized in Article 2 of this Chapter to be made available to former employees retired pursuant to the provisions of Division 4, Chapter 10 of the Administrative Code, and shall have the power to adopt such rules as it deems necessary to administer the Health and Welfare Program.

SECTION HISTORY

Added by Ord. No. 145,067, Eff. 10-8-73.

Amended by: Ord. No. 173,272, Eff. 6-25-00, Oper. 7-1-00; In Entirety, Ord. No. 174,365, Eff. 12-14-01.

Sec. 4.1103.2. Eligibility for a Retired Employee Medical Plan Premium Subsidy.

Upon written application by eligible retired employees and verification that the applicant is, and remains enrolled, to the extent of the retiree's entitlement, in Part A or Part B or Part A and Part B of Medicare, the following medical plan premium subsidy shall be paid:

(a) Those retired employees who are receiving an allowance pursuant to Administrative Code Section 4.1020 or 4.1055, other than under a compulsory retirement as provided in former Section 508A of the Charter of the City of Los Angeles, who do not qualify for benefits under Part A of Medicare, who have at least ten (10) years of City Service as members of the Los Angeles City Employees' Retirement System including those years for which they acquired additional retirement service credits from said System, but excluding service credit secured under the provisions of Section 4.1052.1 of the Los Angeles Administrative Code, and who are age fifty-five (55) years or older, shall have paid to their approved medical plan carrier on their behalf the following amount:

Basic Monthly Subsidy: For ten (10) years of City Service as defined in Section 4.1001, 40% of the maximum monthly medical plan premium subsidy amount

established pursuant to the provisions of Section <u>4.1103.1</u> or Section <u>4.1103.4</u>, as applicable.

Additional Monthly Subsidy: For more than ten (10) years of City Service as defined in Section <u>4.1001</u>, add to the Basic Monthly Subsidy 4% of the maximum monthly medical plan premium subsidy for each whole year of City Service in excess of ten (10) years.

Maximum Monthly Subsidy: No retired employee shall have paid to his or her medical plan carrier an amount exceeding the maximum monthly amount established pursuant to Section <u>4.1103.1</u> or Section <u>4.1103.4</u>, as applicable, or receive an amount in excess of the premium of the plan in which they are enrolled.

Dependent Monthly Subsidy: Monthly medical plan premium subsidy shall be applied first to the retiree's medical plan coverage with any balance applied toward the coverage of the retiree's dependent(s) under the same medical plan.

- (b) Those retired employees who were compulsorily retired pursuant to former Section 508A of the Charter of the City of Los Angeles and who do not qualify for benefits under Part A of Medicare shall have paid to their medical plan carrier on their behalf 4% of the maximum monthly subsidy for each whole year of City Service as defined in Section 4.1001 not to exceed the maximum monthly subsidy provided under Section 4.1103.1 or Section 4.1103.4, as applicable.
- (c) Those retired employees with at least ten (10) years of City Service as defined in Section 4.1001, or those compulsorily retired under the provisions of former Section 508A of the Charter of the City of Los Angeles, who are receiving an allowance pursuant to Chapter 10 of the Los Angeles Administrative Code and who qualify for benefits under Part A and Part B of Medicare, shall have paid to the medical plan carrier providing them with a plan supplemental to Medicare coverage the following amount: For ten (10) years but less than fifteen (15) years of City Service, 75% of the monthly premium of the approved medical plan supplemental to Medicare coverage in which the retired employee is enrolled. For fifteen (15) years or more but less than twenty (20) years of City Service, 90% of the monthly premium of the approved medical plan supplemental to Medicare coverage which the retired employee is enrolled. For twenty (20) or more years of City Service, 100% of the monthly premium of the approved medical plan supplemental to Medicare coverage in which the retired employee is enrolled.

The amount of medical plan premium subsidy which is applied toward the coverage of the dependents of a retiree enrolled in both Part A and Part B of Medicare shall not exceed that amount which may be applied toward the coverage of the dependent(s) of a retiree not enrolled in both Part A and Part B of Medicare and covered by the same medical plan and with the same years of City Service.

For those compulsorily retired employees herein above referred to with less than ten (10) years of City Service, 75% of the monthly premium of the approved medical plan supplemental to Medicare coverage in which the retired employee is enrolled.

Effective July 1, 2011, no increases in the amounts paid to the medical plan carriers under this Subsection (c) shall be provided on behalf of members retired on or after July 1, 2011, or their dependents. Notwithstanding all of the foregoing, increases in the amounts paid to medical plan carriers provided on behalf of retired members subject to Section 4.1103.4 shall be governed by the provision of this Subsection (c), regardless of the date of retirement.

- (d) In no event shall the subsidy provided in this section, when added to any other medical plan premium subsidy paid from the funds of the Department of Water and Power Retirement Plan and the Fire and Police Pension Systems, exceed the maximum amount established in Section 4.1103.1 or Section 4.1103.4, as applicable.
- (e) To the extent that this section effectuates a different calculation of medical plan premium subsidies for retired employees whose service credit is based on periods of part-time and less than full-time employment, it is the intent of this section that the method of calculating the service credit herein established shall, as to such persons, be applicable only with respect to retired employees who became members of the Los Angeles City Employees' Retirement System after April 22, 1990.
- (f) Any member who retires pursuant to Section <u>4.1056.2</u> (c) of the Los Angeles Administrative Code shall be eligible to receive the medical plan premium subsidy as provided under Section <u>4.1103.2</u> of the Los Angeles Administrative Code.

SECTION HISTORY

Added by Ord. No. 170,748, Eff. 12-3-95, Oper. 12-3-95.

Amended by: Subsecs. (c) and (e), Ord. No. 171,743, Eff. 10-1-97; Subsecs. (a), (b) and (c), Ord. No. 173,272, Eff. 6-25-00, Oper. 7-1-00; In Entirety, Ord. No. 174,365, Eff. 12-14-01; Subsecs. (a), (b) and (d), Ord. No. 181,734, Eff. 6-8-11; Last Para. of Subsec. (c) Added, Ord. No. 181,746, Eff. 6-20-11.

Sec. 4.1104.1. Verification of Eligibility for Medicare Part B Reimbursement.

Reimbursement shall be paid to such retiree for Medicare Part B basic premium (Medical Insurance) for an insured or covered period beginning on or after January 1, 1978, when sufficient proof of the retiree's enrollment and coverage and of the premium's payment has been made as required by the Board.

SECTION HISTORY

Added by Ord. No. 174,365, Eff. 12-14-01.

LACERS BOARD RULES

HBA 10.0 Required Proof of Medicare Insurance

Proof and/or assignment of Medicare is required for all individuals eligible for various Medicare insurance coverages regardless of the age of the individual(s) (LAAC 4.1103.2 and 4.1103.3). Members are eligible for Medicare at 65 years of age, but may become eligible before age 65 if they have a Medicare-qualifying disability (such as End Stage Renal Disease).

- (a) Notwithstanding any other provision for these rules to the contrary, a Retired Member, Eligible Surviving Spouse/Domestic Partner or dependent who is eligible to enroll in Medicare (Parts A&B or Part B only) shall not be eligible for coverage under any health benefit plan offered or sponsored by LACERS until such individual enrolls in Medicare and submits proof to LACERS. "Proof" of Medicare enrollment shall be defined as a Medicare card or an eligibility printout from the Social Security Administration.
- (c) The Board may require enrollment in other parts of Medicare to ensure the financial stability of its health plan offerings and to be in compliance with carrier contract provisions.
- (d) The same Medicare insurance requirements apply to the Medical Premium Reimbursement Program (MPRP).

HBA 11.0 Reimbursement for Medicare Part B

LAAC 4.1104 and 4.1104.1 state that retired employees enrolled in Medicare Parts A and B who are participating in a LACERS medical plan or the MPRP be entitled to reimbursement of the Medicare Part B basic premium. To clarify, "basic" premium shall be defined as Medicare Part B's monthly actuarial rate, which is 25% of the cost of the plan. It shall not take into account late enrollment penalties or Income Related Monthly Adjustment Amounts.

Reimbursements shall be paid to such eligible retirees once the following requirements have been met:

- (a) Retiree submits current proof of enrollment in Medicare Parts A and B.
- (b) Retiree submits all applicable Senior Plan Enrollment Forms.

ORDINANCE NO. _____ 182629

An ordinance amending Chapters 10 and 11 of Division 4 of the Los Angeles Administrative Code to reorganize the provisions of the Los Angeles City Employees Retirement System (LACERS) and to incorporate changes required to maintain the tax-qualified status of the plan, and to make technical amendments to Chapter 18 and 18.5 of Division 4 of the Los Angeles Administrative Code related to the creation of a second tier for LACERS.

THE PEOPLE OF THE CITY OF LOS ANGELES DO ORDAIN AS FOLLOWS:

Section 1. Chapter 10 of Division 4 of the Los Angeles Administrative Code is amended in its entirety to read as follows:

CHAPTER 10

RETIREMENT BENEFITS AND CONDITIONS OF ENTITLEMENT FOR THE LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

ARTICLE 1

TIER 1 PROVISIONS

Sec. 4.1000. Statement of Purpose.

This Article sets forth the benefits and conditions of entitlement that have been established for persons who are members of Tier 1 of the Los Angeles City Employees' Retirement System (LACERS) and for their beneficiaries. These benefits may be modified and the conditions of entitlement changed by ordinance as authorized in Section 1168 of the City Charter.

It is also the purpose of this Article to demonstrate the intent of the City of Los Angeles, through its governing bodies, to promote the improvement of personnel management and employer-employee relations by enacting from time to time such ordinances as may legally be adopted under the authority of Section 1168 of the City Charter whenever Memorandums of Understanding and other agreements, duly executed by all parties thereto and approved by the City Council, require by their terms presentation to the City Council of ordinances changing retirement benefits or conditions of entitlement thereto.

Sec. 4.1001. Definition of Terms.

(a) For the purposes of Article 1 of Chapter 10 and Article 2 of Chapter 11 of Division 4 of the Los Angeles Administrative Code, the following words and phrases shall have the meaning ascribed to them in this section unless elsewhere defined:

Sec. 2. The title of Chapter 11 of Division 4 of the Los Angeles Administrative Code is amended to read as follows:

CHAPTER 11

HEALTH AND WELFARE PROGRAMS FOR RETIREES OF THE LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

Sec. 3. Article 1 of Chapter 11 of Division 4 of the Los Angeles Administrative Code is amended in its entirety to read as follows:

ARTICLE 1

GENERAL PROVISIONS

Sec. 4.1100. Purpose of Programs.

It is the purpose of this Chapter to establish Los Angeles City Employees' Retirement System ("LACERS") health and welfare programs for former employees who are retired pursuant to the provisions of Division 4, Chapter 10 of this Code, their eligible dependents and their eligible survivors. These benefits may be modified and the conditions of entitlement changed, by ordinance, as authorized in Section 1168 of the City Charter.

Sec. 4.1101. Administration.

The health and welfare programs established in this Chapter shall be administered by the Board of Administration of the Los Angeles City Employees' Retirement System (Board). In furtherance thereof, the Board shall contract for suitable plans as authorized in Sections 4.1105 and 4.1106 of this Chapter to be made available to former employees retired, pursuant to the provisions of Division 4, Chapter 10 of this Code, and shall have the power to adopt such rules as it deems necessary to administer the health and welfare programs.

Sec. 4.1102. Establishment of Health Care Coverage Account.

(a) Effective July 1, 1987, there is established within the Los Angeles City Employees' Retirement Fund a separate account for the purpose of paying benefits for sickness, accident, hospitalization and medical expenses, or any combination thereof provided under this Chapter (hereinafter, "Retired Employees Health and Welfare Programs"). The account is established pursuant to Section 401(h) of the Internal Revenue Code. The assets in this account shall be accounted for separately from the other accounts in the Los Angeles City Employees' Retirement Fund. However, the assets of this account may be commingled for investment purposes only with the other accounts of the Los Angeles City Employees' Retirement Fund. Investment earnings and expenses will be allocated on a reasonable basis. All assets in the 401(h) account

shall be held in trust for the exclusive benefit of eligible retirees, their eligible dependents, and their qualified survivors.

- (b) Effective October 3, 1989, contributions to the 401(h) account established by this section shall be made from appropriations and any other sources. Contributions to the 401(h) account are subordinate to the contributions to the Los Angeles City Employees' Retirement Fund. At no time shall contributions to the 401(h) account, plus any life insurance protection costs, be in excess of twenty-five percent (25%) of the total aggregate actual contributions made to the Los Angeles City Employees' Retirement Fund for the traditional pension plan benefits (not including contributions to fund past service credits) and the 401(h) account, plus any life insurance protection costs. Annually it will be determined whether the twenty-five percent (25%) limit has been exceeded.
- (c) Forfeitures are not to be allocated to any individual accounts under the Retired Employees Health and Welfare Programs established under Div. 4, Chap. 11 of the Los Angeles Administrative Code, but shall be used to provide the defined health care benefits under the Retired Employee Health and Welfare Programs.
- (d) The assets of the 401(h) account shall only be used for the payment of health care coverage and medical benefits as provided in the Retired Employees Health and Welfare Programs for eligible retirees, their eligible dependents and their qualified survivors.
- (e) At no time prior to the satisfaction of all liabilities under the Retired Employees Health and Welfare Programs shall any assets in the 401(h) account be used for, or diverted to, any purpose other than providing the benefits under subsection (d) of this section and the payment of administrative expenses. Assets in the 401(h) account may not be used for retirement, disability or survivor benefits, or for any other purpose under Div. 4, Chapter 10 of the Los Angeles Administrative Code.
- (f) Upon the satisfaction of all liabilities under the law to provide benefits pursuant to subsection (d) of this section, any assets in the 401(h) account, if any, that are not used as provided in Subsection (d) of this section shall be transferred to the City Fund, as required by Section 401(h)(5) of the Internal Revenue Code.
- (g) It is the intent of the City of Los Angeles in adopting this section to comply in all respects with Sections 401(a) and 401(h) of the Internal Revenue Code, and regulations interpreting those sections. In applying this amendment, the City of Los Angeles will apply the interpretation that achieves compliance with those sections and preserves the qualified status of the Los Angeles City Employees' Retirement System as a governmental plan under Sections 401(a) and 414(d) of the Internal Revenue Code.

Sec. 4.1103. Funding of Programs.

The health and welfare programs established in this Chapter, including all administrative costs, shall be funded solely from the Health Care Coverage Account established in Section 4.1102 of this Chapter.

Sec. 4.1104. Definition of Health Service Credit.

For purposes of this Chapter, Health Service Credit shall include any service credit authorized in Chapter 10 of Division 4 of this Code which may be taken into consideration for purposes of qualifying for benefits provided in this Chapter, but shall exclude any buy back of service under Sections 4.1019, 4.1066 and 4.1067 of this Code, or under any other provision that prohibits purchased service or service credit from being used to qualify for benefits provided in this Chapter; provided, however, that employees whose service credit is based on periods of part-time and less than full-time employment and who became members of the LACERS prior to April 23, 1990, shall receive full, rather than pro-rated, Health Service Credit for periods of service for which their service credit is pro-rated due to being less than full-time.

Sec. 4.1105. Establishment of Programs.

The following health and welfare programs are established herein:

- (a) A Medical Plan Program which the Board is to administer in accordance with the provisions of Sections 4.1101, 4.1111 and 4.1121 of this Chapter.
- (b) A Medical Premium Reimbursement Program which the Board is to administer in accordance with the provisions of Sections 4.1101, 4.1112 and 4.1122 of this Chapter.
- (c) A Medicare Part B Basic Premium Reimbursement Program which the Board is to administer in accordance with the provisions of Sections 4.1101, 4.1113 and 4.1123 of this Chapter.
- (d) A Dental Plan Program which the Board is to administer in accordance with the provisions of Section 4.1101, 4.1114 and 4.1124 of this Chapter.
- (e) A Survivor Medical Plan Premium Subsidy Program which the Board is to administer in accordance with the provisions of Sections 4.1101 and 4.1115 of this Chapter.
- (f) A Health Insurance Reciprocal Subsidy Credit Program which the Board is to administer in accordance with the provisions of Section 4.1101 and Article 4 of this Chapter.

Sec. 4.1106. Discretionary Medical Plan and Dental Plan Benefit Changes.

The Board may make discretionary Medical Plan and Dental Plan benefit changes as long as these involve cost increases of no more than one-half of one percent in total annual premium cost. The Board may make changes greater than the above level as long as the changes are submitted to the City Council for review. Any increases that are not acted upon by the Council within 30 days after receipt by the City Clerk of the report to Council for consideration of the increase are deemed approved. Should the Council reject the increase approved by the Board, the Council shall determine the amount, if any, by which the total annual premium cost shall be increased and shall adopt such change by resolution.

Sec. 4. Article 2 of Chapter 11 of Division 4 of the Los Angeles Administrative Code is revised in its entirety to read as follows:

ARTICLE 2

PROGRAMS FOR TIER 1 MEMBERS

Sec. 4.1110. Definitions.

For purposes of this Article 2, the following words and phrases shall have the meaning ascribed to them in this section:

Member shall refer to a person who is a member of Tier 1 of LACERS.

Employee shall refer to an employee who is a member of Tier 1 of LACERS.

Retired Employee or Retiree shall refer to a person who is a retired member of Tier 1 of LACERS and is receiving either a service retirement allowance or a disability retirement allowance pursuant to the provisions of Article 1 of Chapter 10 of Division 4 of this Code.

Sec. 4.1111. Medical Plan Premium Subsidy.

The medical plan premium subsidy will be provided upon the conditions set forth below in order to lessen or defray part or all of the cost of medical plans to eligible retirees, as hereinafter defined.

(a) Eligibility for Medical Plan Premium Subsidy. A retiree who is enrolled in plan(s) administered by the Board as part of the Medical Plan Program shall be eligible for a medical plan premium subsidy as provided in Subsection (d) or Subsection (e), as applicable.

- (b) **Maximum Medical Plan Premium Subsidy.** The maximum monthly medical plan premium subsidy for retired employees is \$1,190.00. Beginning July 1, 2011, the Board, in its discretion, may change, by resolution, the maximum monthly amount of the medical plan premium subsidy provided to employees retired on or before June 30, 2011, so long as any increase:
 - (1) Does not exceed the dollar increase in the Kaiser two-party non-Medicare Part A and B premium; and
 - (2) The average percentage increase for the first year of the increase and the preceding two (2) years does not exceed the average assumed actuarial medical trend rates for the same period.

Any change made by the Board that exceeds the limits set forth in (b)(1) or (b)(2) herein must be submitted for Council review accompanied by an actuarial report. Any increases that are not acted upon by the Council within thirty (30) days after receipt of the report to Council for consideration of the increase are deemed approved. Should the Council reject the subsidy set by the Board, the Council shall determine the amount, if any, by which the subsidy shall be increased and shall adopt such change by resolution.

No increases in the maximum monthly medical plan premium subsidy shall be provided to members retired on or after July 1, 2011, except that former members who terminated employment prior to July 1, 2011, and retire on or after July 1, 2011, on a deferred vested basis without returning to membership shall be entitled to discretionary increases in the maximum subsidy as provided above regardless of the date of retirement. Notwithstanding all of the forgoing, increases in the monthly medical premium subsidy provided to retirees subject to Subsection (c) shall be governed by the provisions of that subsection, regardless of the date of retirement.

- (c) Vested Right to Maximum Medical Plan Premium Subsidy Increases. Notwithstanding the provisions of Subsection (b), any member who at any time made an additional contribution to the Retirement Fund as provided in Subsection 4.1003(c) of this Code shall obtain a vested right to, and the Board, by resolution, shall set, the increase in the maximum medical plan subsidy provided to such members at an amount not less than the dollar increase in the Kaiser two-party non-Medicare Part A and Part B premium.
- (d) Medical Plan Premium Subsidy for Eligible Retirees without Medicare Part A. Those retirees who are receiving a service retirement allowance or a disability retirement allowance, who either are not eligible for Medicare or do not qualify for benefits under Part A of Medicare premium free, who have at least ten (10) years of Health Service Credit and who are age fifty-five (55) years or older, shall have paid to their approved medical plan carrier on their behalf the following amount:

- (1) **Basic Monthly Subsidy:** For ten (10) years of Health Service Credit, forty percent (40%) of the maximum monthly medical plan premium subsidy amount established pursuant to the provisions of Subsection (b) or Subsection (c), as applicable.
- (2) Additional Monthly Subsidy. For more than ten (10) years of Health Service Credit add four percent (4%) of the maximum monthly medical plan premium subsidy to the Basic Monthly Subsidy for each whole year of Health Service Credit in excess of ten (10) years.
- (3) **Maximum Monthly Subsidy.** No retiree shall have paid to his or her medical plan carrier an amount exceeding the maximum monthly amount established pursuant to Subsection (b) or Subsection (c), as applicable, or receive an amount in excess of the premium of the plan in which they are enrolled.
- (4) **Dependent Monthly Subsidy.** The monthly medical plan premium subsidy shall be applied first to the retiree's medical plan coverage with any balance applied toward the coverage of the retiree's dependent(s).
- (e) Medical Plan Premium Subsidy for Eligible Retirees Enrolled in Parts A and B of Medicare. Those retirees with at least ten (10) years of Health Service Credit who are receiving a service retirement allowance or disability retirement allowance and who qualify for benefits under Part A and Part B of Medicare, shall have paid to the medical plan carrier providing them with a Medicare supplemental or coordinated plan the following amount:
 - (1) **Monthly Subsidy Seventy-Five Percent (75%).** For ten (10) years but less than fifteen (15) years of Health Service Credit, seventy-five (75%) of the single-party monthly premium of the approved Medicare supplemental or coordinated plan in which the retiree is enrolled.
 - (2) **Monthly Subsidy Ninety Percent (90%).** For fifteen (15) years or more but less than twenty (20) years of Health Service Credit, ninety (90%) of the single-party monthly premium of the approved Medicare supplemental or coordinated plan in which the retiree is enrolled.
 - (3) **Monthly Subsidy One Hundred Percent (100%).** For twenty (20) or more years of Health Service Credit, one hundred percent (100%) of the single-party monthly premium of the approved Medicare supplemental or coordinated plan in which the retiree is enrolled.
 - (4) **Dependent Subsidy**. The amount of the medical plan premium subsidy which is applied toward the coverage of dependents of a retiree enrolled in both Part A and Part B of Medicare shall not exceed that amount which may be applied toward the coverage of the dependent(s) of a retiree not enrolled in

both Parts A and Part B of Medicare with the same years of Health Service Credit and covered by the same medical plan. If the same plan does not offer coverage for retirees who do not have both Medicare Parts A and B, the Board shall, by rule, determine the dependent subsidies in a manner that is consistent with plans that do offer both types of coverage.

Effective July 1, 2011, no increases in the amounts paid to the medical plan carriers under this Subsection (e) shall be provided on behalf of employees retired on or after July 1, 2011, or their dependents, except that former members who terminated employment prior to July 1, 2011, and retire on or after July 1, 2011, on a deferred vested basis without returning to membership shall be entitled to increases in the amounts paid to medical carriers under this Subsection (e) for themselves and their dependents regardless of the date of retirement. Notwithstanding all of the foregoing, increases in the amounts paid to medical plan carriers provided on behalf of retired employees subject to Subsection (c) herein shall be governed by the provisions of this Subsection (e) regardless of the date of retirement.

- (f) Medicare Enrollment and Assignment. Retirees who are eligible to enroll in Medicare Part B must do so in order to qualify to receive the subsidy provided in Subsections (d) and (e) of this section. The Board may require retirees to enroll in and assign to LACERS any coverage that is provided by Medicare in order to qualify to receive the subsidy provided in this section, except that retirees who are not entitled to premium free Part A of Medicare are not required to enroll in Part A.
- (g) Verification of Medical Plan Coverage. Retirees who are receiving a medical plan premium subsidy payable to their medical plan carrier pursuant to the provisions of this Article may be required from time to time to provide evidence satisfactory to the Board that their medical plan coverage or Medicare or other federal or state funded medical plan is in full force and effect.
- (h) **Payment Limitation.** In no event shall the subsidy provided in this section, when added to any other medical plan subsidy provided by the Department of Water and Power or the Fire and Police Pension Plan, exceed the maximum amount established in Subsection (b) or (c), as applicable.

Sec. 4.1112. Medical Premium Reimbursement Program.

The medical premium reimbursement program will be provided upon the conditions set forth below in order to lessen or defray part or all of the cost of medical plans to eligible retirees, as hereinafter defined.

(a) Eligibility for Medical Premium Reimbursement. Upon written application and verification, as required by the Board, those retirees who have at least ten (10) years of Health Service Credit, are age fifty-five (55) years or older, and reside more than three (3) months of the year:

- (1) Outside the state of California; or
- (2) In the state of California, but not within a LACERS administered HMO medical plan zip code service area,

and are enrolled in a federally qualified HMO or a state regulated health insurance plan, shall be eligible for the medical plan premium reimbursement as provided in Subsection (c) or Subsection (e), as applicable.

- (b) Maximum Medical Premium Reimbursement for Retirees without Medicare Part A. The Board shall set the maximum medical plan premium reimbursement for retirees not eligible for Medicare or retirees not eligible for Medicare Part A premium free in the same manner as in Subsection 4.1111(b) or Subsection 4.1111(c), as applicable, of this Article.
- (c) Reimbursement for Eligible Retirees without Medicare Part A. Those retirees who are receiving a service retirement allowance or a disability retirement allowance, and who either are not eligible for Medicare or do not qualify for benefits under Part A of Medicare premium free, shall be reimbursed the following amount:
 - (1) **Basic Monthly Reimbursement.** For ten (10) years of Health Service Credit, forty percent (40%) of the maximum monthly medical plan premium reimbursement amount established pursuant to the provisions of Subsection (b) herein.
 - (2) Additional Monthly Reimbursement. For more than ten (10) years of Health Service Credit add four percent (4%) of the maximum monthly medical plan premium reimbursement amount to the Basic Monthly Reimbursement for each whole year of Health Service Credit in excess of ten years.
 - (3) **Maximum Monthly Reimbursement.** The amount paid shall not exceed the maximum monthly medical plan premium reimbursement established pursuant to the provisions of Subsection (b) herein or the amount of the plan premium being reimbursed.
 - (4) **Dependent Reimbursement.** The monthly medical plan premium reimbursement shall be applied first to the retiree's medical plan coverage with any balance applied toward the coverage of the retiree's dependent(s) under the same medical plan.
- (d) Maximum Medical Premium Reimbursement for Retirees Enrolled In Parts A and B of Medicare. Effective January 1, 2011, the maximum monthly medical plan premium reimbursement for retirees enrolled in Parts A and B of Medicare shall be \$480.41. The Board, in its discretion, may, by resolution, increase the monthly amount of medical plan premium reimbursement of retirees enrolled in Parts A and B of

Medicare, provided that the amount of the maximum monthly medical plan premium reimbursement shall not exceed one hundred percent (100%) of the single-party monthly premium of the highest cost approved Medicare supplemental or coordinated plan provided by LACERS.

Effective July 1, 2011, no increases in the maximum reimbursement amount paid to retired members under this Subsection (d) shall be provided to members who retired on or after July 1, 2011, except that former members who terminated employment prior to July 1, 2011 and retire on or after July 1, 2011, on a deferred vested basis without returning to membership shall be entitled to increases in the maximum reimbursement amount as herein provided regardless of the date of retirement. Notwithstanding all of the foregoing, increases in the reimbursement amount provided to retired members subject to Section 4.1111(c) shall be governed by the provisions of this Subsection (d) regardless of the date of the member's retirement.

- (e) Reimbursement for Eligible Retirees Enrolled in Medicare Part A and Part B. Those retirees who are receiving a service retirement allowance or a disability retirement allowance and who qualify for benefits under Part A and Part B of Medicare, shall be reimbursed the following amount:
 - (1) **Monthly Reimbursement (75%).** For ten (10) years or more, but less than fifteen (15) years of Health Service Credit, seventy-five percent (75%) of the monthly medical plan premium reimbursement amount established pursuant to the provisions of Subsection (d) herein.
 - (2) **Monthly Reimbursement (90%).** For fifteen (15) years or more but less than twenty (20) years of Health Service Credit, ninety percent (90%) of the monthly medical plan premium reimbursement amount established pursuant to the provisions of Subsection (d) herein.
 - (3) **Monthly Reimbursement (100%).** For twenty (20) or more years of Health Service Credit, one hundred percent (100%) of the monthly medical plan premium reimbursement amount established pursuant to the provisions of Subsection (d) herein.
 - (4) **Dependent Reimbursement.** The Board shall establish the reimbursement policy for dependents of these eligible retirees.
- (f) Payment Limitation. In no event shall the reimbursement provided in this section, when added to any other medical plan subsidy provided by the Department of Water and Power or the Fire and Police Pension Plan, exceed the maximum amount established in Subsection (b) herein.
- (g) Reimbursement for Survivors. Any person who is eligible to receive the survivor medical plan premium subsidy provided in Section 4.1115 of this Article and who lives outside the state of California or in the state of California, but not within a

LACERS administered HMO medical plan zip code service area, may qualify for the medical premium reimbursement program provided in this section, except that the amount of reimbursement shall not exceed the amount that he or she would have received as a medical plan premium subsidy under Section 4.1115.

(h) **Medicare Enrollment.** Retirees or survivors who are eligible to enroll in Medicare Part B must do so in order to qualify for the medical premium reimbursement provided in Subsections (c), (e) and (g) of this section. Retirees or survivors who are not entitled to premium free Part A of Medicare are not required to enroll in Part A.

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 premium (Medical Insurance). No reimbursement shall be paid for Medicare Part B costs that exceed the basic 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.

Sec. 4.1114. Dental Plan Premium Subsidy.

In order for a dental plan premium subsidy to be provided for a retiree, the retiree must be enrolled in a dental plan administered by the Board as part of the Dental Plan Program. The dental plan premium subsidy will be provided, upon the conditions set forth below, in order to lessen or defray part or all of the cost of such dental plan to such eligible retiree, as hereinafter defined.

(a) **Maximum Dental Plan Premium Subsidy.** The maximum subsidy shall be the amount provided by the Council for active employees. The Board, in its discretion, may by resolution, increase or decrease the monthly amount of dental subsidy to reflect changes in the subsidy provided by the City for active employees, or to offset any increases or decreases in the level of benefits or the cost thereof, as the result of changes in existing benefits or the addition of newly created benefits by federal or state funded programs.

- (b) Eligibility for Dental Plan Premium Subsidy. Those retirees who are receiving a service retirement allowance or a disability retirement allowance, have at least ten years of Health Service Credit as members, and are age fifty-five (55) years or older, shall have paid to their approved dental plan carrier on their behalf the following amount:
 - (1) **Basic Monthly Subsidy.** For ten (10) years of Health Service Credit, forty percent (40%) of the maximum monthly dental plan premium subsidy amount established pursuant to the provisions of Subsection (a).
 - (2) Additional Monthly Subsidy. For more than ten (10) years of Health Service Credit, add four percent (4%) of the maximum monthly dental plan premium subsidy to the Basic Monthly Subsidy for each whole year of Health Service Credit in excess of ten (10) years.
 - (3) **Maximum Monthly Subsidy.** No retiree shall have paid to his or her dental plan carrier an amount exceeding the maximum monthly amount established pursuant to Subsection (a) or receive an amount in excess of the premium of the plan in which they are enrolled.
 - (4) **Dependent Monthly Subsidy.** There is no dental plan premium subsidy for dependents.
- (c) **Payment Limitation.** In no event shall the subsidy provided in this section, when added to any other dental plan subsidy provided by the Department of Water and Power or the Fire and Police Pension Plan, exceed the maximum subsidy established in Subsection (a).

Sec. 4.1115. Survivor Medical Plan Premium Subsidy.

The survivor medical plan premium subsidy authorized in this section shall be provided, on the terms set forth herein, to Eligible Survivors of members or retirees, as defined below, who are enrolled in medical plans administered by the Board as part of the Medical Plan Program.

- (a) **Eligible Survivors.** The following persons shall be Eligible Survivors for purposes of this section:
 - (1) A person who is receiving a monthly benefit as an eligible survivor as provided in Sections 4.1011, 4.1012, or 4.1013(a)(1) or (2) of this Code shall become eligible, as an Eligible Survivor, for the medical plan premium subsidy provided in this section either on the date of the deceased's death, if the deceased was eligible for a medical plan premium subsidy at that time, or on the date the deceased would have become eligible for a medical plan premium subsidy had he or she not died, based upon the deceased's Health Service Credit.

(2) A surviving spouse or domestic partner who elects to receive the monthly benefit provided in Subsection 4.1010(a)(3) of this Code shall become eligible, as an Eligible Survivor, for the medical plan premium subsidy provided in this section either on the date of the deceased's death, if the deceased was eligible for a medical plan premium subsidy at that time, or on the date the deceased would have become eligible for a medical plan premium subsidy had he or she not died, based upon the deceased's Health Service Credit.

A surviving spouse or domestic partner who is receiving a monthly benefit due to a retiree's election to provide a continuance benefit funded solely by a reduction in his or her retirement allowance shall not be an Eligible Survivor for purposes of this section.

- (b) Subsidy for Eligible Survivors without Medicare Part A. The survivor medical plan premium subsidy for an Eligible Survivor who either is not eligible for Medicare or does not qualify for benefits under Part A of Medicare premium free shall be:
 - (1) **Basic Monthly Subsidy.** For ten (10) years of the member's Health Service Credit, forty percent (40%) of the maximum monthly medical plan premium subsidy amount established in this subsection.
 - (2) Additional Monthly Subsidy. For more than ten (10) years of the member's Health Service Credit, add four percent (4%) of the maximum monthly medical plan premium subsidy to the Basic Monthly Subsidy for each whole year of Health Service Credit in excess of ten years.
 - (3) **Maximum Monthly Subsidy.** The maximum monthly medical plan premium subsidy shall be the single-party premium for the lowest cost plan available to participants without Medicare Parts A and B.
- (c) Subsidy for Eligible Survivors Enrolled In Parts A and B of Medicare. The survivor medical plan premium subsidy for an Eligible Survivor who qualifies for benefits under Part A and Part B of Medicare shall be:
 - (1) **Monthly Subsidy (75%).** For ten (10) years but less than fifteen (15) years of the member's Health Service Credit, seventy-five (75%) of the single-party monthly premium of the approved Medicare supplemental or coordinated plan in which the Eligible Survivor is enrolled.
 - (2) **Monthly Subsidy (90%).** For fifteen (15) years but less than twenty (20) years of the member's Health Service Credit, ninety percent (90%) of the single-party monthly premium of the approved Medicare supplemental or coordinated plan in which the Eligible Survivor is enrolled.
 - (3) **Monthly subsidy (100%).** For twenty (20) or more years of the member's Health Service Credit, one hundred percent (100%) of the single-party

monthly premium of the approved Medicare supplemental or coordinated plan in which the Eligible Survivor is enrolled.

- (d) **Medicare Enrollment.** Eligible Survivors who are eligible to enroll in Medicare Part B must do so in order to receive the subsidy provided in this section. An Eligible Survivor who is age sixty-five (65) or older must enroll in Medicare as required by the Board in order to receive the subsidy authorized in this Section, except that Eligible Survivors who are not entitled to premium free Part A of Medicare are not required to enroll in Part A.
- (e) **Limitation on Increases.** Effective July 1, 2011, no increases in the amounts paid to the medical plan carriers under Subsections (b) and (c) of this section shall be provided on behalf of survivors of members retired on or after July 1, 2011, or on behalf of survivors of members who die on or after July 1, 2011, prior to retirement, except that survivors of former members who terminated employment prior to July 1, 2011, and either died prior to retirement or retired on or after July 1, 2011, on a deferred vested basis without returning to membership shall be entitled to increases, as provided in Subsections (b) and (c) of this section, regardless of the date of retirement. Notwithstanding all of the foregoing, increases in the amounts paid on behalf of survivors of members subject to Subsection 4.1111(c) shall be governed by the provisions of Subsection (b) and (c) of this section, as applicable, regardless of the date of the member's retirement or death.
- Sec. 5. Article 3 of Chapter 11 of Division 4 of the Los Angeles Administrative Code is amended in its entirety to read as follows:

ARTICLE 3

PROGRAMS FOR TIER 2 MEMBERS

Sec. 4.1120. Definitions.

For purposes of this Article 3, the following words and phrases shall have the meaning ascribed to them in this section:

Member shall refer to a person who is a member of Tier 2 of LACERS.

Employee shall refer to an employee who is a member of Tier 2 of LACERS.

Retired Employee or **Retiree** shall refer to a person who is a retired member of Tier 2 of LACERS and is receiving either a service retirement allowance or a disability retirement allowance pursuant to the provisions of Article 2 of Chapter 10 of Division 4 of this Code.

Sec. 4.1121. Medical Plan Premium Subsidy.

The medical plan premium subsidy will be provided upon the conditions set forth below in order to lessen or defray part or all of the cost of medical plans to eligible retirees, as hereinafter defined.

- (a) Eligibility for Medical Plan Premium Subsidy. A retiree who is enrolled in plan(s) administered by the Board as part of the Medical Plan Program shall be eligible for a medical plan premium subsidy as provided in Subsection (d) or Subsection (e), as applicable.
- (b) **Maximum Medical Plan Premium Subsidy.** The maximum monthly medical plan premium subsidy for retirees is \$596.00. The Board shall, by resolution, adjust the maximum monthly amount of the medical plan premium subsidy provided to retirees to maintain a monthly amount equal to the single-party premium for the lowest cost standard plan, as defined by the Board, available to participants without Medicare Parts A and B.
- (c) Medical Plan Premium Subsidy for Eligible Retirees without Medicare Part A. Those retirees who are receiving a service retirement allowance or a disability retirement allowance, who either are not eligible for Medicare or do not qualify for benefits under Part A of Medicare premium free, who have at least ten (10) years of Health Service Credit and who are age fifty-five (55) years or older, shall have paid to their approved medical plan carrier on their behalf the following amount:
 - (1) **Basic Monthly Subsidy:** For ten (10) years of Health Service Credit, forty percent (40%) of the maximum monthly medical plan premium subsidy amount established pursuant to the provisions of Subsection (b).
 - (2) Additional Monthly Subsidy. For more than ten (10) years of Health Service Credit add three percent (3%) of the maximum monthly medical plan premium subsidy to the Basic Monthly Subsidy for each whole year of Health Service Credit in excess of ten (10) years.
 - (3) **Maximum Monthly Subsidy.** No retiree shall have paid to his or her medical plan carrier an amount exceeding the maximum monthly amount established pursuant to Subsection (b) or receive an amount in excess of the premium of the plan in which they are enrolled.
 - (4) **Dependent Monthly Subsidy.** None of the subsidy may be applied toward coverage for dependents of retirees.
- (d) Medical Plan Premium Subsidy for Eligible Retirees Enrolled in Parts A and B of Medicare. Those retirees with at least ten (10) years of Health Service Credit who are receiving a service retirement allowance or disability retirement allowance and who qualify for benefits under Part A and Part B of Medicare, shall have

paid to the medical plan carrier providing them with a Medicare supplemental or coordinated plan the following amount:

- (1) **Monthly Subsidy (75%).** For ten (10) years but less than fifteen (15) years of Health Service Credit, seventy-five percent (75%) of the single-party monthly premium of the approved Medicare supplemental or coordinated plan in which the retiree is enrolled.
- (2) **Monthly Subsidy (90%).** For fifteen (15) years or more but less than twenty (20) years of Health Service Credit, ninety percent (90%) of the single-party monthly premium of the approved Medicare supplemental or coordinated plan in which the retiree is enrolled.
- (3) **Monthly Subsidy (100%).** For twenty (20) or more years of Health Service Credit, one hundred percent (100%) of the single-party monthly premium of the approved Medicare supplemental or coordinated plan in which the retiree is enrolled.
- (4) **Dependent Monthly Subsidy.** None of the subsidy may be applied toward coverage for dependents of retirees.
- (e) **Medicare Enrollment and Assignment.** Retirees who are eligible to enroll in Medicare Part B must do so in order to qualify to receive the subsidy provided in Subsections (c) and (d) of this section. The Board may require retirees to enroll in and assign to LACERS any coverage that is provided by Medicare in order to qualify to receive the subsidy provided in this section, except that retirees who are not entitled to premium free Part A of Medicare are not required to enroll in Part A.
- (f) Verification of Medical Plan Coverage. Retirees who are receiving a medical plan premium subsidy payable to their medical plan carrier pursuant to the provisions of this Article may be required, from time to time, to provide evidence satisfactory to the Board that their medical plan coverage or Medicare or other federal or state funded medical plan is in full force and effect.
- (g) **Payment Limitation**. In no event shall the subsidy provided in this section, when added to any other medical plan subsidy provided by the Department of Water and Power or the Fire and Police Pension Plan, exceed the maximum amount established in Subsection (b).

Sec. 4.1122. Medical Premium Reimbursement Program.

The medical premium reimbursement program will be provided upon the conditions set forth below in order to lessen or defray part or all of the cost of medical plans to eligible retirees, as hereinafter defined.

- (a) Eligibility for Medical Premium Reimbursement. Upon written application and verification, as required by the Board, those retirees who have at least ten (10) years of Health Service Credit, are age fifty-five (55) years or older, and reside more than three (3) months of the year:
 - (1) outside the state of California; or
 - (2) in the state of California, but not within a LACERS administered HMO medical plan zip code service area,

and are enrolled in a federally qualified HMO or a state regulated health insurance plan, shall be eligible for the medical plan premium reimbursement as provided in Subsection (c) or Subsection (e), as applicable.

- (b) Maximum Medical Premium Reimbursement for Retirees without Medicare Part A. The Board shall set the maximum medical plan premium reimbursement for retirees not eligible for Medicare or retirees not eligible for premium free Medicare Part A in the same manner as in Section 4.1121(b) of this Article. Retirees who are eligible to enroll in Medicare Part B must do so in order to be entitled to reimbursement.
- (c) Reimbursement for Eligible Retirees without Medicare Part A. Those retirees who are receiving a service retirement allowance or a disability retirement allowance, and who either are not eligible for Medicare or do not qualify for benefits under Part A of Medicare premium free, shall be reimbursed the following amount:
 - (1) **Basic Monthly Reimbursement.** For ten (10) years of Health Service Credit, forty percent (40%) of the maximum monthly medical plan premium reimbursement amount established pursuant to the provisions of Subsection (b) herein.
 - (2) Additional Monthly Reimbursement. For more than ten (10) years of Health Service Credit add three percent (3%) of the maximum monthly medical plan premium reimbursement amount to the Basic Monthly Reimbursement for each whole year of Health Service Credit in excess of ten (10) years.
 - (3) **Maximum Monthly Reimbursement.** The amount paid shall not exceed the maximum monthly medical plan premium reimbursement established pursuant to the provisions of Subsection (b) herein or the amount of the plan premium being reimbursed.
 - (4) **Dependent Reimbursement.** Premium reimbursement may not be applied toward coverage for dependents of retirees.

- (d) Maximum Medical Premium Reimbursement for Retirees Enrolled in Parts A and B of Medicare. The maximum monthly medical plan premium reimbursement for retirees enrolled in Parts A and B of Medicare shall be \$480.41. The Board, in its discretion, may, by resolution, increase the monthly amount of medical plan premium reimbursement of retirees enrolled in Parts A and B of Medicare, provided that the amount of the maximum monthly medical plan premium reimbursement shall not exceed one hundred percent (100%) of the single-party monthly premium of the highest cost approved Medicare supplemental or coordinated plan provided by LACERS.
- (e) Reimbursement for Eligible Retirees Enrolled in Medicare Part A and Part B. Those retirees who are receiving a service retirement allowance or a disability retirement allowance and who qualify for benefits under Parts A and Part B of Medicare, shall be reimbursed the following amount:
 - (1) **Monthly Reimbursement (75%).** For ten (10) years or more, but less than fifteen (15) years of Health Service Credit, seventy-five percent (75%) of the monthly medical plan premium reimbursement amount established pursuant to the provisions of Subsection (d) herein.
 - (2) **Monthly Reimbursement (90%).** For fifteen (15) years or more but less than twenty (20) years of Health Service Credit, ninety percent (90%) of the monthly medical plan premium reimbursement amount established pursuant to the provisions of Subsection (d) herein.
 - (3) **Monthly Reimbursement (100%).** For twenty (20) or more years of Health Service Credit, one hundred percent (100%) of the monthly medical plan premium reimbursement amount established pursuant to the provisions of Subsection (d) herein.
 - (4) **Dependent Reimbursement.** Premium reimbursement may not be applied toward coverage for dependents of retirees.
- (f) **Medicare Enrollment.** Retirees who are eligible to enroll in Medicare Part B must do so in order to qualify for the medical premium reimbursement provided in Subsections (c) and (e) of this section. Retirees who are not entitled to premium free Part A of Medicare are not required to enroll in Part A.
- (g) **Payment Limitation**. In no event shall the reimbursement provided in this section, when added to any other medical plan subsidy provided by the Department of Water and Power or the Fire and Police Pension Plan, exceed the maximum amount established in Subsection (b) herein.

Sec. 4.1123. 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 premium (Medical Insurance). No reimbursement shall be paid for Medicare Part B costs that exceed the basic 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 retirees 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.

Sec. 4.1124. Dental Plan Subsidy.

In order for a dental plan premium subsidy to be provided for a retiree, the retiree must be enrolled in a dental plan administered by the Board as part of the Dental Plan Program. The dental plan premium subsidy will be provided upon the conditions set forth below in order to lessen or defray part or all of the cost of such dental plan to such eligible retiree, as hereinafter defined.

- (a) Maximum Dental Plan Premium Subsidy. The maximum subsidy shall be the amount provided by the Council for active employees. The Board, in its discretion, may, by resolution, increase or decrease the monthly amount of dental subsidy to reflect changes in the subsidy provided by the City for active employees, or to offset any increases or decreases in the level of benefits or the cost thereof, as the result of changes in existing benefits or the addition of newly created benefits by federal or state funded programs.
- (b) Eligibility for Dental Plan Premium Subsidy. Those retirees who are receiving a service retirement allowance or a disability retirement allowance, have at least ten (10) years of Health Service Credit as members, and are age fifty-five (55) years or older, shall have paid to their approved dental plan carrier on their behalf the following amount:
 - (1) **Basic Monthly Subsidy.** For ten (10) years of Health Service Credit, forty percent (40%) of the maximum monthly dental plan premium subsidy amount established pursuant to the provisions of Subsection (a).
 - (2) Additional Monthly Subsidy. For more than ten (10) years of Health Service Credit, add three percent (3%) of the maximum monthly dental plan premium subsidy to the Basic Monthly Subsidy for each whole year of Health Service Credit in excess of ten (10) years.

- (3) **Maximum Monthly Subsidy.** No retired employee shall have paid to his or her dental plan carrier an amount exceeding the maximum monthly amount established pursuant to Subsection (a) or receive an amount in excess of the premium of the plan in which they are enrolled.
- (4) **Dependent Monthly Subsidy.** There is no dental plan premium subsidy for dependents.
- (c) **Payment Limitation**. In no event shall the subsidy provided in this section, when added to any other dental plan subsidy provided by the Department of Water and Power or the Fire and Police Pension Plan, exceed the maximum subsidy established in Subsection (a).
- Sec. 6. The title for Article 4 of Chapter 11 of Division 4 of the Los Angeles Administrative Code is amended to read as follows:

ARTICLE 4

RETIREE HEALTH INSURANCE RECIPROCAL SUBSIDY CREDIT PROGRAM (LACERS AND LACERA)

- Sec. 7. Sections 4.1104 and 4.1104.1 of Article 4 of Chapter 11 of Division 4 of the Los Angeles Administrative Code are deleted; Section 4.1108 of Article 8 of Chapter 11 of Division 4 is moved to Article 4 of Chapter 11 of Division 4 and renumbered as Section 4.1130.
- Sec. 8. Articles 5 through 8 of Chapter 11 of Division 4 of the Los Angeles Administrative Code are deleted. Chapter 11 will now terminate with Article 4 as amended in this ordinance.
- Sec. 9. The title of Chapter 18 of Division 4 of the Los Angeles Administrative Code is amended to read as follows:

CHAPTER 18

EXCESS BENEFIT PLAN FOR TIER 1 MEMBERS OF THE LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

- Sec. 10. Subsection (b) of Section 4.1800 of Chapter 18 of Division 4 of the Los Angeles Administrative Code is amended to read as follows:
- (b) **Eligibility**. Those employees who are members of Tier 1 of the LACERS and whose benefits at the time of payment are reduced by the limitation on benefits imposed by Section 415 of the Internal Revenue Code shall be Participants hereunder. Members of Tier 2 of the LACERS shall not be eligible to be Participants in the Plan established herein.

Sec. 11. The definition of "Average Member Cost" in Subsection (a) of Section 4.1850 of Chapter 18.5 of Division 4 of the Los Angeles Administrative Code is amended to read as follows:

"Average Member Cost" shall mean a percentage, in effect for such Plan Year, equal to the sum of:

- (a) The percentage of City contributions needed to fund Tier 1 or Tier 2 of the LACERS, as applicable, for all benefits provided by that tier; and
- (b) Any ancillary costs incurred by the City in support of benefits provided by Tier 1 or Tier 2 of the LACERS, as applicable, expressed as a percentage of covered payroll.
- Sec. 12. Subsection (a) of Section 4.1850 of Chapter 18.5 of Division 4 of the Los Angeles Administrative Code is amended to add a new definition, "LAAC," to be placed after the current definition for "Fund," to read as follows:

"LAAC" shall mean the Los Angeles Administrative Code.

Sec. 13. Amend the definition of "Participant" in Subsection (a) of Section 4.1850 of Chapter 18.5 of Division 4 of the Los Angeles Administrative Code to read as follows:

"Participant" shall mean those employees eligible for participation in this Plan. Those employees eligible to participate in this Plan are those employees who are elected officials of the City and who are eligible to, and effectively, elect to opt out of Tier 1 of the LACERS under Section 4.1002(b)(9) of the LAAC or elect to opt out of Tier 2 of the LACERS under Section 4.1052(b)(9) of the LAAC, as applicable. Except that any retired member of LACERS who is elected as an officer of the City shall become a Participant without being required to opt out of membership because Section 4.1002(b)(9) for Tier 1, or Section 1052(b)(9), for Tier 2, of the LAAC, as applicable, prohibits him or her from re-entering membership in the tier of LACERS from which he or she is retired. An employee shall cease to be a Participant as to additional contributions upon termination of employment with the City or entrance into a different retirement plan provided by the City. As used here, the term "employee" shall mean a person in the employ or service of the City as reflected on the payroll records of the City.

Sec. 14. Subsection (c) of Section 4.1850 of Chapter 18.5 of Division 4 of the Los Angeles Administrative Code is amended by replacing the first sentence (following the subsection title "Participant Contributions") with the following two sentences to read as follows:

Each Participant shall contribute to the Fund by salary deduction at the same percentage of his or her Compensation that he or she would be required to contribute to the Retirement Fund, as provided in Chapter 10 of Division 4 of the LAAC, had he or she had not opted out of membership in either Tier 1 pursuant to Section 4.1002(b)(9) or Tier 2 pursuant to Section 1052(b)(9), as applicable. Except that a Participant who is a retired member of LACERS shall contribute to the Fund by salary deduction at the same percentage of his or her Compensation that he or she would have been required to contribute to the Retirement Fund, as provided in Chapter 10 of Division 4 of the LAAC, had he or she not retired.

- Sec. 15. Subsection (d) of Section 4.1850 of Chapter 18.5 of Division 4 of the Los Angeles Administrative Code is amended to read as follows;
- (d) Matching Contributions by the City. For each Plan Year, the City shall contribute for each Participant the Average Member Cost of the Participant's Compensation to the Fund. The Average Member Cost for each Participant shall be determined based upon the tier from which the Participant opted out of membership or from which the Participant is retired, as applicable.

City contributions shall be paid into the Fund and credited to the Participant's individual account at intervals and in accordance with procedures to be determined by the Board. Notwithstanding the foregoing, the balance of any contribution owed for a Plan Year shall be paid within two and one-half months after the end of such Plan Year and credited to Participants' accounts as of the last day of such Plan Year.

Sec. 16. This ordinance shall be effective upon its publication, pursuant to Charter Section 252, Subsection (i).

Sec. 17. The City Clerk shall certify to the passage of this ordinance and have it published in accordance with Council policy, either in a daily newspaper circulated in the City of Los Angeles or by posting for ten days in three public places in the City of Los Angeles: one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall; one copy on the bulletin board located at the Main Street entrance to Los Angeles City Hall East; and one copy on the bulletin board located at the Temple Street entrance to the Los Angeles County Hall of Records.

Deputy

Mayor

I hereby certify that the foregoing ordinance was introduced at the meeting of the Council of the City of Los Angeles way 2 9 2013, and was passed at its meeting of 2013

JUNE LAGMAY, City Clerk By	20
Approved $\frac{7/11/13}{2}$	
Approved as to Form and Legality	
CARMEN A. TRUTANICH, City Attorney	
By hung for Curwen (1888) MARY JO CURWEN Deputy City Attorney	
Date May 20, 2013	
File No. 13-0019	

DECLARATION OF POSTING ORDINANCE

I, MARIA VIZCARRA, state as follows: I am, and was at all times hereinafter mentioned, a

resident of the State of California, over the age of eighteen years, and a Deputy City Clerk of the City

of Los Angeles, California.

Ordinance No. 182629- Amending Chapters 10 and 11 of Division 4 of the Los Angeles

Administrative Code (LAAC) to reorganize the provisions of the Los Angeles City Employees

Retirement System and to make technical amendments to Chapters 18 and 18.5 of Division 4

of the LAAC - a copy of which is hereto attached, was finally adopted by the Los Angeles City

Council on July 3, 2013, and under the direction of said City Council and the City Clerk, pursuant to

Section 251 of the Charter of the City of Los Angeles and Ordinance No. 172959, on July 15, 2013 I

posted a true copy of said ordinance at each of the three public places located in the City of Los

Angeles, California, as follows: 1) one copy on the bulletin board located at the Main Street entrance

to the Los Angeles City Hall; 2) one copy on the bulletin board located at the Main Street entrance to

the Los Angeles City Hall East; 3) one copy on the bulletin board located at the Temple Street

entrance to the Los Angeles County Hall of Records.

Copies of said ordinance were posted conspicuously beginning on July 15, 2013 and will be

continuously posted for ten or more days.

I declare under penalty of perjury that the foregoing is true and correct.

Signed this **15th** day of **July**, **2013** at Los Angeles, California.

mana Vyria Vizcarra. Deputy City Clerk



BAC Meeting: 12/09/25

MEETING: JUNE 8, 2021

Item III

Attachment 10a



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

ITEM: VI-A

Milm. Duglihmo

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.

2021 Medicare Part B Premiums

If your yearly income in 2019 (f	You pay each month			
File individual tax return	File joint tax return	File married & separate tax return	(in 2021)	
\$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, lit 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



Windfall Elimination Provision

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

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





Government Pension Offset Attachment 2

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

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.



Retired Members and Beneficiaries

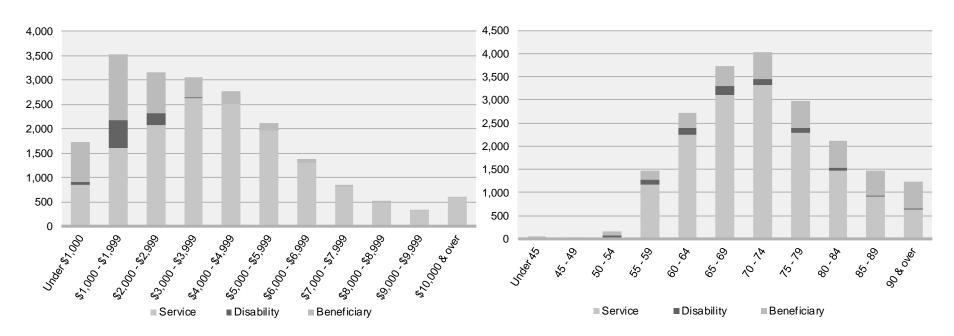
As of June 30, 2019, 16,053 retired members and 3,981 beneficiaries were receiving total monthly benefits of \$78,965,717. For comparison, in the previous valuation, there were 15,477 retired members and 3,902 beneficiaries receiving monthly benefits of \$73,339,309.

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**





BAC Meeting: 12/09/25

Item III

Attachment 10b



REPORT TO BOARD OF ADMINISTRATION

From: Benefits Administration Committee MEETING: AUGUST 23, 2022

Michael R. Wilkinson, Chair ITEM: VII - D

Annie Chao Thuy Huynh

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.

<u>Prepared By:</u> 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



MEETING: AUGUST 9, 2022

REPORT TO BENEFITS ADMINISTRATION COMMITTEE

From: Neil M. Guglielmo, General Manager ITEM: V

milm. Duglishuro

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 2007¹.
- 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)*			
	\$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					
(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%					
	\$475.20 to \$494.67 and							
V and VI**	\$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.

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		
(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								

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

	\$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
(Basic)	\$170.10	1,031	74.4%	\$175,373	\$2,104,476
(Basic)	\$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
	\$544.30 and			. ,	. ,
V and VI	\$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 Premiu m Tier	Basic/IRMAA Premium Amounts	Estimat ed Number of Member s Paying Premiu m Amount	% of Member s 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
l (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

ł		Projected Cost	,		\$131,261	\$1,575,132
	Totals		1,386	100%	\$306,634	\$3,679,608

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

<u>Prepared By:</u> 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

Milm. Duglifus

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.

2021 Medicare Part B Premiums

If your yearly income in 2019 (f	You pay each month			
File individual tax return File joint tax return		File married & separate tax return	(in 2021)	
\$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, lit 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



Windfall Elimination Provision

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

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

Substantial earnings

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





Government Pension Offset Attachment 2

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

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.



Retired Members and Beneficiaries

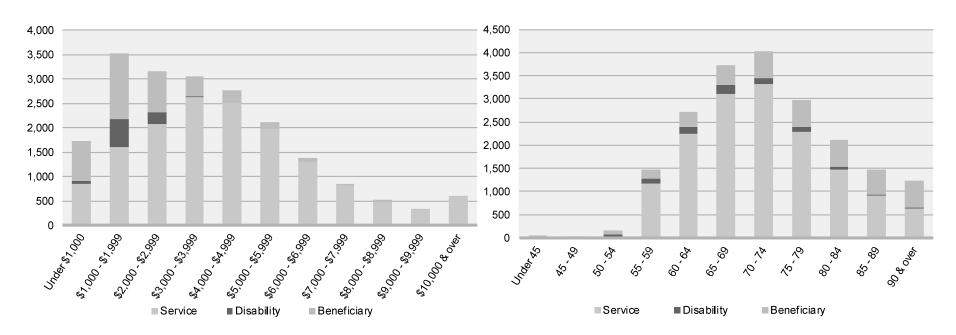
As of June 30, 2019, 16,053 retired members and 3,981 beneficiaries were receiving total monthly benefits of \$78,965,717. For comparison, in the previous valuation, there were 15,477 retired members and 3,902 beneficiaries receiving monthly benefits of \$73,339,309.

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**





BAC Meeting: 12/09/25

Item III

Attachment 10c



REPORT TO BOARD OF ADMINISTRATION

From: Neil M. Guglielmo, General Manager

MEETING: JUNE 13, 2023

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:

- 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.

Prepared By: 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

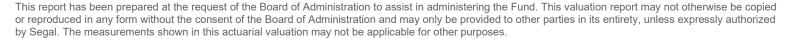
2. LACERS Board Report of August 9, 2022 - INCOME-RELATED MONTHLY ADJUSTMENT AMOUNTS (IRMAA) AND MEDICARE PART B ONLY REIMBURSEMENT CONSIDERATION AND POSSIBLE COMMITTEE ACTION

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



Copyright © 2023 by The Segal Group, Inc. All rights reserved.





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 month¹. As shown in the following table, from www.cms.gov, the Part B premium is adjusted based on the retiree's income.

¹The 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 Contribution² (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)	J	une 30, 2022 Valuation	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
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	<u>0</u>	<u>0</u>
	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	Jı	une 30, 2022		Base Part B	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
and Funded Status (\$ in millions)		Valuation	Р	remium Only					
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	s)								
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	<u>0</u>	<u>0</u>
	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	J	une 30, 2022		Base Part B	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
and Funded Status (\$ in millions)		Valuation	F	Premium Only					
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 million	s)								
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

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

AYY/jl/hy

5761455v3/05806.015

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



BOARD Meeting: 6/13/23

Item: X - B Attachment: 2



REPORT TO BOARD OF ADMINISTRATION

From:	Benefits Administration Committee	MEETING:	AUGUST 23,	2022
Ī	Michael R. Wilkinson, Chair	ITEM:	VII - D	

Michael R. Wilkinson, Chair Annie Chao

Annie Chao Thuy Huynh

SUBJECT: INCOME-RELATED MONTHLY ADJUSTMENT AMOUNTS (IRMAA) AND MEDICARE

PART B ONLY REIMBURSEMENT CONSIDERATION AND POSSIBLE BOARD

ACTION

ACTION: 🛛	CLOSED:	CONSENT:	RECEIVE & FILE:	1

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.

<u>Prepared By:</u> 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



MEETING: AUGUST 9, 2022

REPORT TO BENEFITS ADMINISTRATION COMMITTEE

From: Neil M. Guglielmo, General Manager ITEM: V

milm. Duglishuro

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 2007¹.
- 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.

Membe	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		\$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							
(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%							
	\$475.20 to \$494.67 and									
V and VI**	\$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.

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		
(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								

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

	\$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
(Basic)	\$170.10	1,031	74.4%	\$175,373	\$2,104,476
(Basic)	\$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
	\$544.30 and			. ,	. ,
V and VI	\$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.

Та	Table 5. Estimated 2022 Medicare Part B Basic Premium and IRMAA Payments Reimbursement – Retired Members with Medicare Part B only						
2022 Part B Premiu m Tier	Basic/IRMAA Premium Amounts	Estimat ed Number of Member s Paying Premiu m Amount	% of Member s 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	
l (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	

ł		Projected Cost	,		\$131,26 1	\$1,575,132
	Totals		1,386	100%	\$306,634	\$3,679,608

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

<u>Prepared By:</u> 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

Milm. Duglifus

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.

2021 Medicare Part B Premiums

If your yearly income in 2019 (f	You pay each month			
File individual tax return	File joint tax return	File married & separate tax return	(in 2021)	
\$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, lit 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



Windfall Elimination Provision

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

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

Substantial earnings

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





Government Pension Offset Attachment 2

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

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.



Retired Members and Beneficiaries

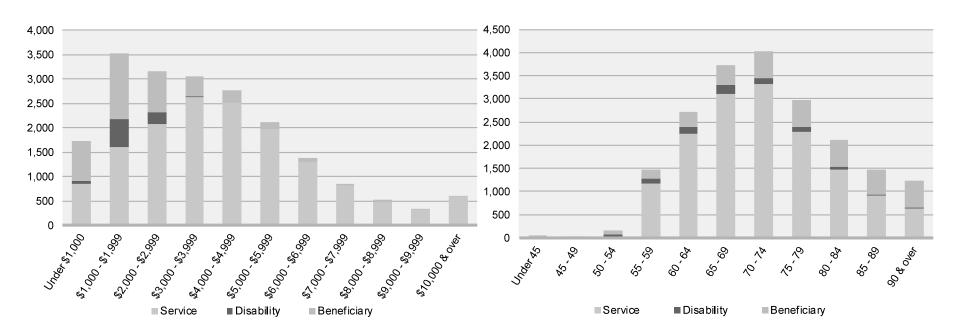
As of June 30, 2019, 16,053 retired members and 3,981 beneficiaries were receiving total monthly benefits of \$78,965,717. For comparison, in the previous valuation, there were 15,477 retired members and 3,902 beneficiaries receiving monthly benefits of \$73,339,309.

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**





BAC Meeting: 12/09/25

MEETING: SEPTEMBER 26, 2023

Item III

Attachment 10d



REPORT TO BOARD OF ADMINISTRATION

From: Neil M. Guglielmo, General Manager

From: Neil M. Guglielmo, General Manager ITEM: VIII – D

SUBJECT: INCOME-RELATED MONTHLY ADJUSTMENT AMOUNT (IRMAA) AND MEDICARE

PART B ONLY REIMBURSEMENT MEMBER FEEDBACK AND POSSIBLE BOARD

ACTION

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

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.

California Pension System Survey

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).

Reimbursements of Systems Outside of California

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

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

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

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?

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.

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

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

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.

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.

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.

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.

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

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%

<u>Survey Question:</u> 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

<u>Survey Question:</u> 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: <u>76%</u> 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.

- 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.

- 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 additional 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

- 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 Angries

- 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







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



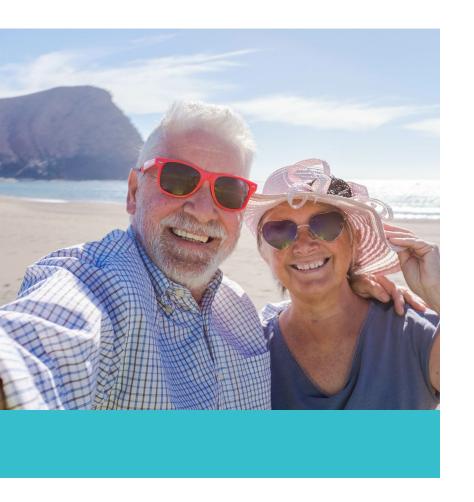
STAKEHOLDERS

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



LACERS

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



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





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.

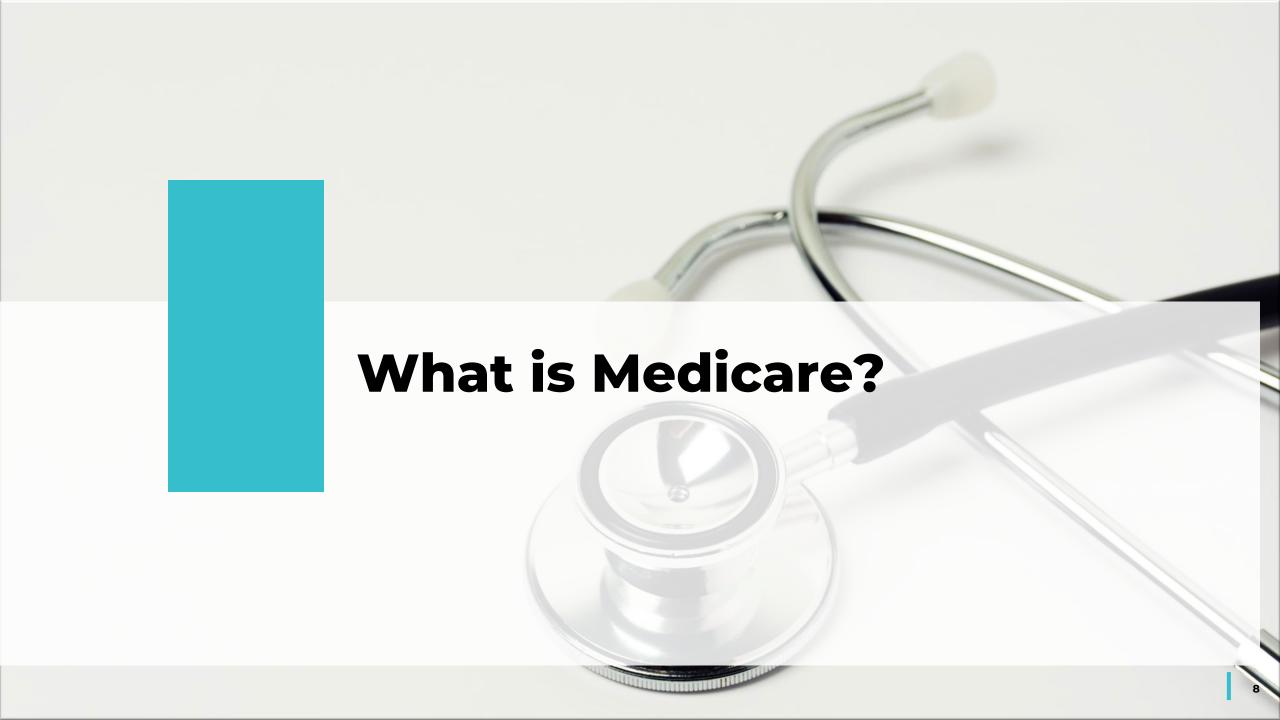
As a covered entity under Title II of the Americans with Disabilities Act, the City of Los Angeles does not discriminate on the basis of disability and, upon request, will provide reasonable accommodations to ensure equal access to its programs, services and activities.



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.





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) <u>require</u>, 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 <u>only</u> 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:

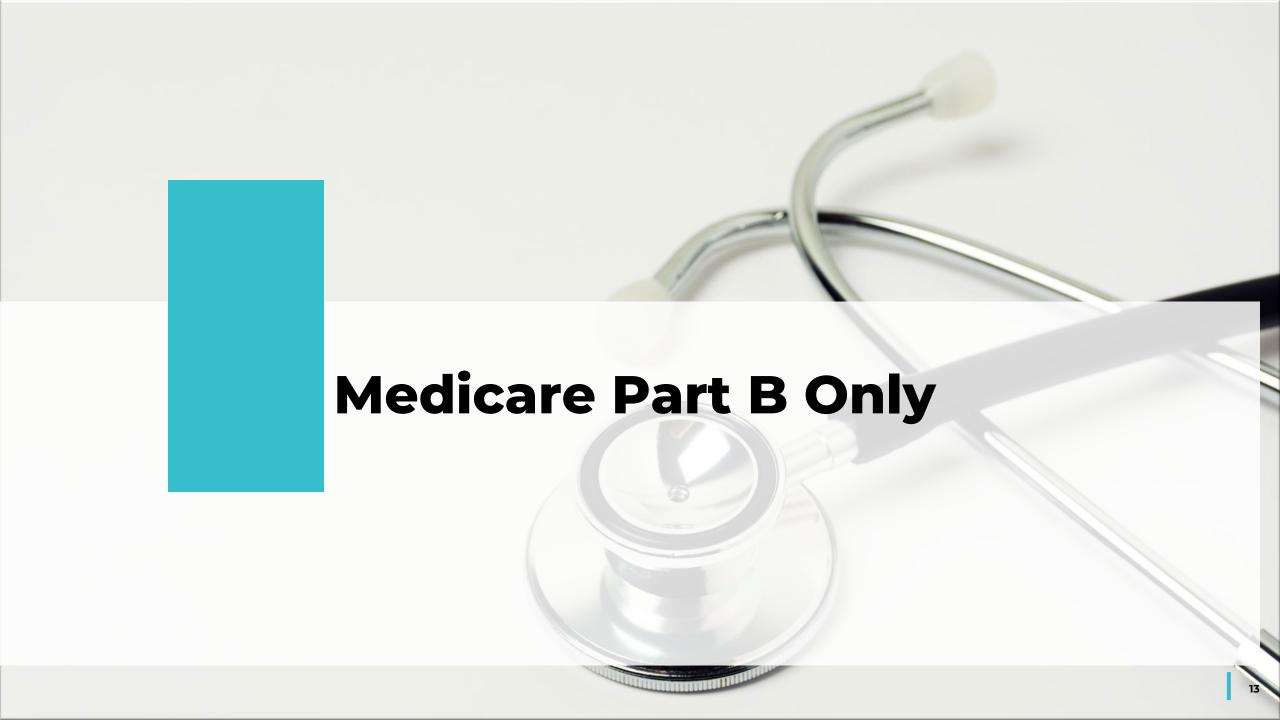
- Three months before turning age 65
- No later than three months after the month you turn 65



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.





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 on or after 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



Los Angeles Administrative Code 4.1111(f), 4.1126(e) and LACERS Board Rules HBA 2(d) <u>require</u>, 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



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.



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.

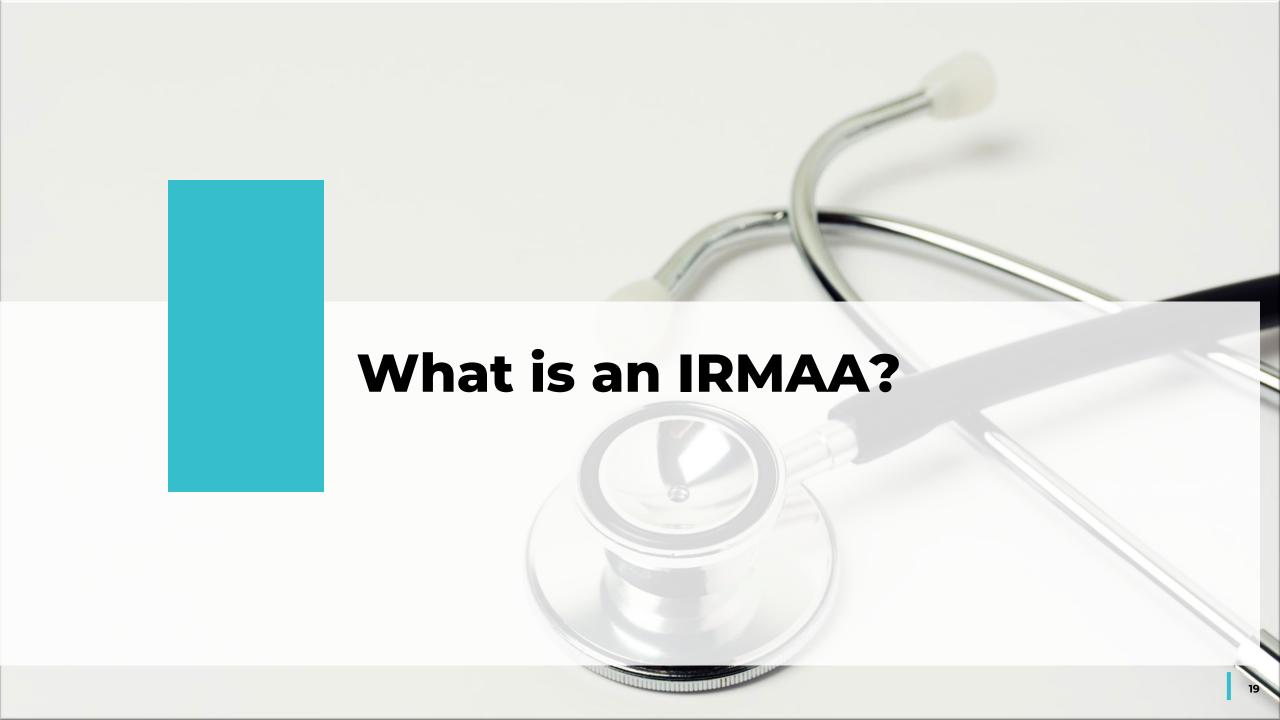
The Kaiser Senior Advantage HMO plan is the same for Part B only and A&B Members.



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.





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.



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

- Your Medicare Part B will be <u>terminated</u> 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 <u>terminated</u>, 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 <u>terminated</u> by the Center for Medicare & Medicaid Services (CMS).
- You and your dependent(s)' LACERS medical plan will be <u>terminated</u>.
- 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 <u>terminated</u>, 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 <u>DOES NOT</u> process your Medicare payments.
- LACERS <u>CAN NOT</u> directly pay your Medicare premium from your LACERS' monthly allowance.





2023 Part B IRMAA Income Bracket

If your yearly income in 2021 (for what	You pay each month (in		
File individual tax return	File joint tax return File married & separate tax return		2023)
\$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
 <u>does not reimburse any IRMAA or penalty costs.</u>



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 <u>SSA.gov</u>.
- You may also request an appeal in writing by completing a Request for Reconsideration (Form SSA-561-U2) available online at <u>SSA.gov</u>.
- 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), <u>shiphelp.org</u>
- 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 <u>medicare.gov</u>, 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

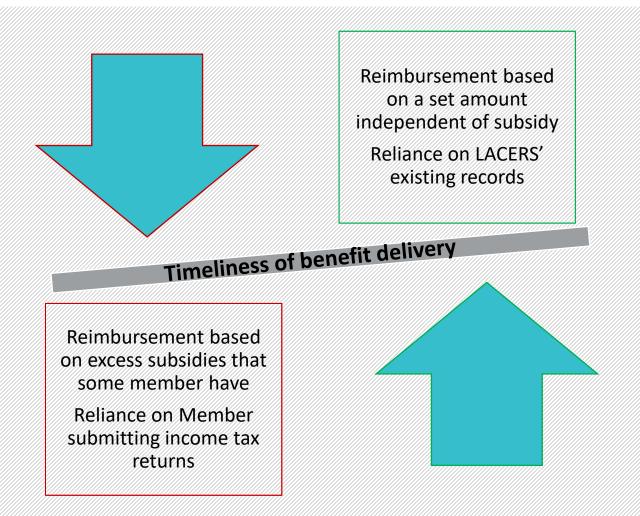
- LACERS begins implementation
- Updates are made to publications, forms, computer systems, policies, and procedures
- LACERS must communicate the benefit changes to affected Members



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 <u>Basic Premium</u>	Medicare Part B only lev	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
	Basic premium reimbursement for Members with Medicare Parts A&B	Reimbursement of IRMAA surcharges	City Council Approved Ordinance	of the benefit must allow LACERS to meet standards of timeliness and accuracy



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?

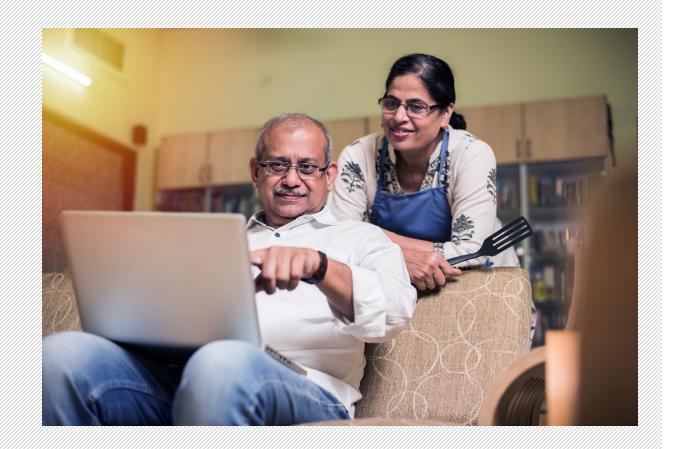
(800) 779-8328 | (888) 349-3996 RTT

lacers.health@lacers.org

LACERS.org

P.O. Box 512218

Los Angeles, CA 90051-0218





WWW.LACERS.ORG

WATCH FOR UPDATES ON IRMAA WEBPAGE INCLUDING Q&A



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 \boxdot or you can participate in the public comment portion at an upcoming Board Meeting.

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.



INFLUENCE THE DECISION-MAKING PROCESS



BOARD Meeting: 9/26/2023

Item: VIII-D Attachment: 4

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/lacersmedicare_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 on the Medicare Part B premium. The Part D IRMAA surcharge began in 2011 unde 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 in 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_2023.0526lacers-irmaa_analysisclient5761455.5.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 an 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 t 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 specifi 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?	-
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 copays 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.



BAC Meeting: 12/09/25

Item III

Attachment 10e

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

LA CITY EMPLOYEES' RETIREMENT SYSTEM

P.O. Box 512218 Los Angeles, CA 90051-0218

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

www.LACERS.org lacers.services@lacers.org

KAREN BASS

Mayor of the City of Los Angeles

LACERS BOARD OF ADMINISTRATION

Annie Chao, *President*Sung Won Sohn, *Vice President*Thuy Huynh
Elizabeth Lee
Gaylord "Rusty" Roten
Janna Sidley
Michael R. Wilkinson

LACERS EXECUTIVE STAFF

Neil M. Guglielmo General Manager

Todd Bouey Executive Officer

Dale Wong-Nguyen Assistant General Manager

Rodney June Chief Investment Officer Honorable Mayor Karen Bass Honorable City Council October 12, 2023 Page 2 of 2

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





MEETING: DECEMBER 9, 2025

REPORT TO BENEFITS ADMINISTRATION COMMITTEE

From: Todd Bouey, General Manager ITEM: IV

SUBJECT:	HEALTH BENEF	TITS WORK PLAN	I AND POSSIBLE COMMITTEE ACTION	
ACTION: 🛛	CLOSED:	CONSENT:	RECEIVE & FILE:	

Recommendation

That the Committee make a recommendation to the Board to adopt:

- 1. The proposed Health Work Plan for 2026-2029;
- 2. Approve the extension for Ancillary Health Consulting Services with Keenan and Associates to August 31, 2027, with an amount not to exceed \$170,000 per year; and,
- 3. Continue to negotiate with UnitedHealthcare (UHC) for the 2027 Plan Year.

Executive Summary

The City's prefunding of the Retiree Health Plan, now funded at nearly 106% (valuation value of assets), is a leading practice among public pension sponsors. This funded status also stems from disciplined premium negotiations and active management of utilization and Wellness programs. Because LACERS' health strategy depends on trusted consultant and carrier partnerships, procurement must be sequenced to avoid disrupting retiree health care.

Adoption of the proposed Health Benefits Work Plan establishes a four-year timeline to conduct approximately five Request for Proposals (RFPs) for the Health consultant and the medical, dental, and vision providers. During the plan year between RFPs, annual premium renewal rates are requested, along with any necessary program adjustments. With premium rate increases from UHC averaging (for some areas in California, Nevada, and Arizona) at 50.83% for 2025 and 39.08% for 2026 in the last two years, further discussion is brought to the Committee and Board. If a change in direction is needed, the work plan will require adjustment(s). Additionally, aligning the expiration of the Ancillary Health Consulting Services with the Health Consulting Services contract of Keenan and Associates by extending one year would allow staff to conduct one RFP in 2027, in line with the Health Plan sequence.

Discussion

On an annual basis, the health plan renewal process is as follows (Attachment 1):

• From May through August, the Board is presented with LACERS Health Plan reports related to plan experience, plan changes, premiums, and recommendations.

- By September, the approved premiums and changes to the health benefits must be uploaded to the LACERS Pension Administration System and added to the Health Benefits Guide, which must be printed.
- From mid-October through November, the annual Open Enrollment takes place.

Because LACERS administers Medicare Plans, RFPs and annual renewals cannot be completed earlier than June or July of the plan year, as Medicare rates are unavailable until after May. Therefore, the timeframe for the annual renewal or RFP follows a tight schedule, as plan offerings must be finalized before the start of the Fall Open Enrollment process.

<u>Health Benefits Contracts</u>

LACERS continuously monitors plan administration to ensure robust management of the costs associated with providing retiree health benefits. LACERS has generally established multi-year Health contracts, which resulted in rigorous negotiations of health benefits and premiums for Retired Members. However, in the last several years, various factors outside the general Member health benefits experience have impacted the cost of providing LACERS' health benefits, such as the worldwide Pandemic, requirements imposed on Medicare and Medicaid, an increase in the aging population of LACERS Members entering Medicare, and the population shifts of LACERS-covered lives between health carriers. These experiences affect the premium costs and health plan benefit offerings.

Summary of the Proposed Timeline of Health-Benefits Related Contracts

Contract Type	2026	2027	2028	2029
Health and Welfare Consultant	Extension expires 12/31/2027	RFP	Start of a new contract	Contract in place
Ancillary Health Consulting	Extension expires 8/31/2026; Recommend extending to 8/31/2027	RFP	Start of a new contract	Contract in place
Medical Carrier Contracts	Renewal	Renewal	RFP	Start of new contract
Dental Carrier Contracts	Renewal	Renewal	Renewal	RFP
Vision Carrier Contract	Renewal	Renewal	Renewal	RFP

Health Plan Consulting Contracts

The current Health Plan Consulting Services (Contract No. 4247-B) and Ancillary Health Consulting Services (Contract No. 4247-A) were awarded in June 2022. They expire on December 31, 2027, and August 31, 2026, respectively. Both contracts were brought to the Board for contract extension on June 24, 2025. The work involved with the annual contract renewals for the carriers' contracts is interrelated with the annual Open Enrollment and the administration of the Wellness Program. As reported on June 24, 2025, it was recommended that both contracts expire in 2027 to align with the efficient processing of the RFP for both contracts. While the Health Plan Consulting Services fell within the Board's plenary

authority over services essential to the delivery of benefits, the Ancillary Health Consulting Services do not. Therefore, the contract was extended for one year under the Contract Extension Limit, Los Angeles Administrative Code Section 10.5 (b)(2) and (c)(2), exempting it from City Council approval for contract amendments that do not result in a cumulative contract term longer than three years and a total contract payment exceeding the current fiscal year limit (\$200,130 for 2025-2026).

To maintain continuity, staff recommend extending Contract 4247-A (Ancillary Health Consulting Services) one year to August 31, 2027, not to exceed \$170,000 per year, and conducting a combined RFP for the Health and Welfare Consultant in 2027. The current contract expenditure averages to about \$110,000 per year. The higher contract amount allows for flexibility in case special projects, such as the revamp of the Health Benefits Guide or carrier audits, are conducted. Similar to 2025, uncertainty surrounds 2026 regarding the City's financial position, which may result in layoffs or other actions that may require prioritization. An extension allows for more time to complete the RFP process. Alternatively, if an RFP is to be issued now, staff may do so while shifting priorities, such as reducing some of the Open Enrollment activities related to in-person events.

Medical Carrier Contracts

The medical carrier contracts for the non-Medicare (under-65) and Medicare (over-65) plans were established in Plan Year 2024, following the 2023 RFP process. The medical insurance carriers were selected as providers for Plan Years 2024 through 2028. However, each year, the contracts are renegotiated, and premium rates are established based on the plan's experience and regulatory requirements. The next RFP will be conducted in 2028, and the chosen insurance carriers will begin offering their plans for the 2029 plan year.

UHC

Multiple carrier premiums have increased in the last several years, with UnitedHealthcare (UHC) premiums in 2024 and 2025 experiencing the highest percentage increase. Despite this, the 2025 UHC premiums remained mid-range compared to other LACERS Medicare Advantage HMO and PPO plans. UHC provides a Medicare Advantage HMO Plan for parts of California, Arizona, and Nevada. The UHC Medicare Advantage HMO Plan is contracted through the 2026 Plan Year, with two additional one-year options to renew until 2028. UHC had indicated its commitment to increase its Medicare star rating to receive better Medicare rates offered to LACERS Members. If the future cost of providing the UHC Medicare Advantage HMO Plan does not improve, consideration should be given to the following options:

1. Retain UHC through 2028 – with or without buydown of rate increases (Staff recommendation)

Members will have the choice to remain in UHC or move to a different LACERS Medicare Plan, such as the Kaiser Senior Advantage HMO Plan, the SCAN Health Plan Medicare Advantage HMO Plan, the Anthem Medicare Preferred (PPO) Plan, the Anthem Life & Health Medicare Plan (Medicare Supplement), or for plans outside California, the Medical Premium Reimbursement Program (MPRP).

If the rates increase significantly, LACERS can choose not to buy down the premiums. Although only about 159 Members would feel the impact, the LACERS plan will bear the majority of the

increased costs. Of the 647 Members enrolled in UHC, approximately 439 (68%) are fully subsidized, and the remaining 208 (32%) have a premium deduction. Because LACERS provides a full subsidy to 68% of its Members, they may not experience the impact of the increases since LACERS is fully funding their premiums. However, 159 (24%) Members who are not fully subsidized, and 49 (8%) Members who have deductions due to having dependents, will see increases in their deductions. Members will have the option to switch to a different plan during the Open Enrollment period.

2. Remove UHC in the 2027 Plan Year

An alternative could be to remove the UHC Medicare Advantage HMO plan as a plan offering. In this scenario, UHC Members would have to actively select a different LACERS Medicare plan, as LACERS cannot automatically move them. For those in Arizona and Nevada, they also have the option to sign up for the MPRP. This will require extensive Member outreach and communication, as well as manual re-enrollment of approximately 900 covered lives to transfer all the Members, Survivors, and their dependents enrolled in UHC to a different LACERS Medicare plan. The transition would begin in early 2026, with some adjustments to the 2026 work plan.

Dental and Vision Contracts

The dental and vision contracts were established in Plan Year 2025, following the 2024 RFP process. The dental and vision insurance carriers were selected as providers for plan years 2025-2029. However, each year, the contracts are renegotiated, and premium rates are established based on the plan's experience and regulatory requirements. The next RFP will be conducted in 2029, and the chosen insurance carriers will begin offering their plans for the 2030 plan year.

Prepared By: Karen Freire, Chief Benefits Analyst

TB/DW:KF

Attachment – Annual Health Process

BAC Meeting: 12/09/25

Item: IV Attachment: 1



Annual Health Benefits Administration Processes





Annual Health Benefits Administration Reports

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Open Enrollment Closeout Report			В									
LACERS Well Budget and Update			В									
Health Plan Financial Dashboards					В	В						
Health Management Data Report						В	В					
Health Plan and/or Consultant Renewal (R) / Request for Proposal (P)	Р	Р	P/R	P/R	P/R	В	В	В				Р
Maximum Subsidy and Reimbursement Amounts								В				
Year-End Accounting for Anthem, Delta Dental, and Blue View Vision									В			
Health Actuarial Valuation									В			
Open Enrollment	Х									Open En Per		Х
										Per	lou	

	Preparation
В	Target presentation to Board/BAC
Х	Processing



Contracts

Request for Proposals (RFP)

Every 3-5 years, as approved by the Board

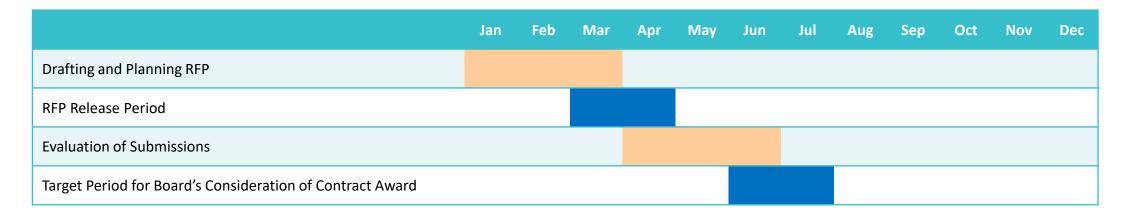
- Medical Plans*
- Dental Plans*
- Vision Plan*
- Health & Wellness Consultant

* Contracts may be three to five years long, with a potential addition of two years, should the Board choose to exercise its authority to extend the contract term.

Renewals

Annual, on non-RFP years

- Medical Plans
- Dental Plans
- Vision Plan



In years an RFP is conducted, the process begins as early as December ends when contract is awarded by the LACERS Board, typically in July. Health plan contracts are usually signed the following Spring.