

pension perspectives

ACTIVE/DROP MEMBER NEWSLETTER

General Manager's Message

It has now been two years since I was appointed General Manager for LAFPP.

I am very proud of and thankful for all of staff's hard work and their dedicated service to our members. I am also very excited about all of the things ahead of us. We are currently negotiating with a vendor to replace our antiquated pension administration system. This project will take over three years to complete, but when finished, we expect to provide better and faster service to all of our members. In addition, we have plans to enhance the member self-service features of the system and will be asking members for input. Please continue to follow us as we embark on this project.

Last year, we announced the purchase of a new headquarters building. Over the past year we have been working with our architect and construction consultants to design and finalize plans for construction. The process has been delayed due to seismic changes and relocation of existing tenants. We believe we are now back on track and are looking forward to relocating in late 2015.

You may have heard of our concern about a possible negative COLA for 2015. Through January 2015, the change in the Consumer Price Index, which is the basis for the annual COLA, was negative primarily due to falling energy prices. Fortunately for members, energy prices turned around, along with other consumer prices, and the COLA was positive through February. As a result, the COLA effective July 1, 2015 is +0.1 percent. Please read the article on page 6 for more information.

Once again, former San Jose Mayor Chuck Reed and his supporters are back to work on a potential ballot initiative for November 2016 to give mayors and other local government executives the authority to renegotiate contracts. It has been reported that the initiative will target CalPERS. We will provide periodic updates to members regarding this potential ballot initiative.

This issue of Pension Perspectives addresses the very important topic of survivor benefits on page 2. Please review this information and update your beneficiary designation as necessary. In addition to Facebook, LAFPP is now on Twitter. Please see page 10 for information on how to receive our tweets of latest news and updates.

As always, thank you for your service to the City.

Ray Ciranna
General Manager

June 2015

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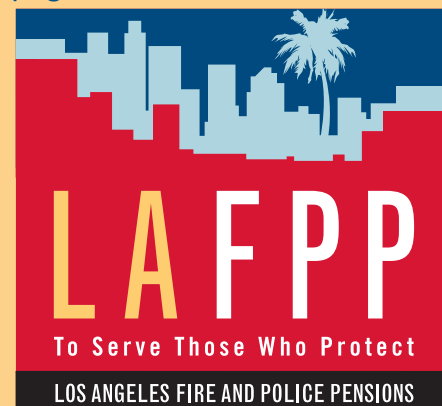
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Survivor Benefits – The Basics

When discussing survivor benefits, many of you have asked, “Do I really need to designate a beneficiary? What happens if I don’t have a beneficiary? Who gets my pension?” This article will address the importance of designating a beneficiary and will also identify the process we go through to determine if your survivors will receive a Refund of Contributions or a Survivor Pension.

Your Designation of Beneficiary

In the event that you pass away prior to retirement, circumstances may only allow for a refund of your pension contributions and accrued interest to your designated beneficiary – not a Survivor Pension. So what happens if you do not have a “Designation of Beneficiary” form on file with LAFPP?

1. Your pension contributions and accrued interest will be paid to your living survivors in the following order of succession: (1) Spouse or State-Registered Domestic Partner, (2) Children, (3) Parents. If there are no living survivors, your contributions will be refunded to the executor or administrator of your estate, or any other person legally authorized to collect money due to you.

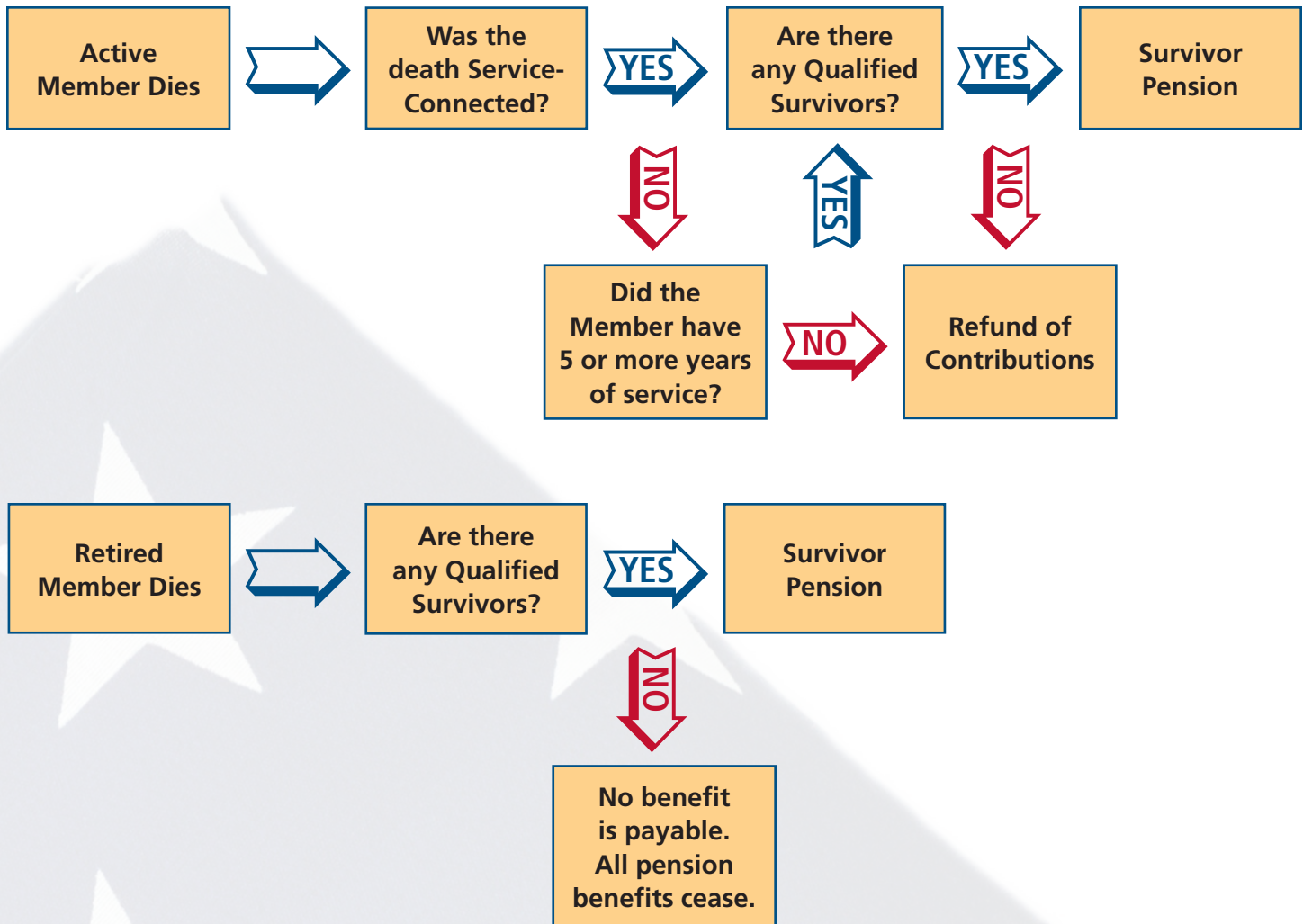
2. Additionally, if your total estate (including your pension contributions and accrued interest) is greater than \$150,000, then the funds will not be released to the living survivor or executor until probate is completed. **Please note that a probate case can take up to 1½ years or longer.**

Therefore, while you are an active member, it is important to maintain a current “Designation of Beneficiary” form with LAFPP. Doing so ensures that your pension contributions and accrued interest will be paid to the person(s) of your choice and the refund will not be delayed by probate, regardless of your estate’s value.

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Refund or Survivor Pension?

In the event of your death, the diagram below would be used to determine which type of survivor benefit is payable – a Refund of Contributions, a Survivor Pension, or no benefit.



Based on the diagram above, a Refund of Contributions is payable in the following three scenarios:

<p>Survivors did not meet eligibility requirements:</p> <p>Your death is service-connected, <i>but</i> your survivors do not qualify to receive a pension.</p>	OR	<p>Member did not meet eligibility requirements:</p> <p>Your death is not service-connected <i>and</i> you have less than five years of service.</p>	OR	<p>Survivors did not meet eligibility requirements:</p> <p>Your death is not service-connected and you have at least five years of service, <i>but</i> your survivors do not qualify to receive a pension.</p>
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Survivor Benefits – The Basics *(continued)*

In no case will there be a Refund of Contributions in the death of a retired member. Instead, a Survivor Pension will be paid only if there is a Qualified Survivor(s). The table below identifies the criteria that “qualifies” your loved ones for a Survivor Pension.

For more details about your survivor benefits, such as the amounts of a Survivor Pension or what happens in the event of a DROP member’s death, please download the “Survivor Benefits Handbook” from the *Qualified Survivors* section of our website, www.LAFPP.com.

Who Qualifies for a Survivor Pension?		
Surviving...	Active Member Death	Retired Member Death
	Qualifies if...	Qualifies if...
Spouse or Domestic Partner	<ul style="list-style-type: none"> Marriage/domestic partnership is in effect on the date of the member’s death. <p>Note: If the member’s death is not service-connected, the marriage/domestic partnership must also be in effect at least one year prior to the death.</p> <p>In the case of a Domestic Partner, the partnership must be declared with LAFPP or registered with the state of California.</p>	<ul style="list-style-type: none"> Marriage/domestic partnership is in effect on the date of the member’s death, and <ol style="list-style-type: none"> At least one year prior to the effective date of the member’s DROP Entry or Service Pension or Nonservice-Connected Disability Pension, or On the member’s Service-Connected Disability Pension effective date.
Minor Child	<ul style="list-style-type: none"> He/she is not married and is under the age of 18. <p>Note: Children of members in Tiers 3 – 6 may receive a benefit until age 22 if they are enrolled in school on a full-time basis.</p>	
Dependent Child	<ul style="list-style-type: none"> He/she became mentally or physically disabled before age 21 and is incapable of earning a living. <p>Note: If the disability ends, the child is no longer considered “dependent” for pension purposes.</p>	
Dependent Parent	<ul style="list-style-type: none"> At least one-half of his/her necessary living expenses have been covered by the member for at least one year prior to the member’s death, and He/she is unable to pay his/her necessary living expenses without a Survivor Pension. <p>Note: A Dependent Parent receives benefits only if there are no other Qualified Survivors at the time of the member’s death and the benefit ceases once the parent can pay his/her necessary living expenses without the Survivor Pension.</p>	

Submitting Proof of Your Child's Disability



If you have a disabled child, he/she may be considered a "Dependent Child" for pension purposes. Eligibility for Dependent Child survivor benefits is determined following a member's death and relies in great part on the availability of documentation that declares the child as: **(1) disabled prior to the age of 21**, and **(2) incapable of earning a livelihood**. You will be requested to send in the following information:

- Written request for the child to be granted Dependent Child status
- Birth Certificate
- Marriage Certificate (if applicable)
- Dissolution Decree (if applicable) and
- Guardianship/Conservatorship papers (if applicable).

Documentation may also include:

- Medical records
- School records
- Social Security benefits and/or
- Assisted living or institutionalization records.

We encourage you to submit copies of any such documentation as early as possible, as it may be difficult to obtain copies of this information later. Copies should be submitted by mail or in-person to:

Los Angeles Fire and Police Pensions
ATTN: Disability Pension Section
360 East Second Street, Suite 400
Los Angeles, CA 90012

A letter confirming our receipt of your documentation is usually mailed within 5 business days.

For questions regarding Dependent Child eligibility, please contact the Disability Pension Section at (213) 978-4500.



ATTENTION DROP MEMBERS: 2015 COLA Information

The Cost of Living Adjustment (COLA) effective July 1, 2015 is 0.1% and all eligible pensions will be adjusted accordingly beginning with the pension payment dated July 31, 2015.

COLAs are made to eligible pension benefits effective July 1 of every year. Pursuant to the City Charter and the Administrative Code, the COLA is based on the annual change in the Consumer Price Index (CPI) as published by the Bureau of Labor Statistics. Specifically, we look at the change in the CPI for All Urban Consumers in the Los Angeles-Riverside-Orange County Area for the prior 12-month period ending February. As of February 2015, the change in the CPI is 0.1%.

Beginning with the release of CPI data for January 2015, the Bureau of Labor Statistics (BLS) implemented a new estimation system to calculate the CPI. According to the BLS, the new system has had an immaterial impact on the calculation. The BLS attributes the low CPI to the declining energy index, which has been driven by significantly lower gasoline prices.

What This Means for DROP Members

While in DROP, the monthly pension payment that is being deposited into your DROP account is subject to change based on each year's COLA, not to exceed an adjustment of +/-3%. With the exception of Tier 2 members, your first COLA is prorated by the number of complete months you have been in DROP. For example, if you entered DROP on March 15, 2015, you would receive a COLA based on three (3) complete months—April, May and June – ¼ of the COLA. Please note: In the event of a negative COLA, your monthly pension payment can never be reduced below the original amount that was calculated at the time you entered DROP.

This year's 0.1% COLA will be applied to DROP member pension payments on July 31, 2015 as follows:

- If you enter DROP on or after June 2, 2015, your monthly pension payment will not be adjusted by the 2015 COLA.
- If your DROP entry date is between July 2, 2014 and June 1, 2015, your monthly pension payment will be adjusted by a prorated percentage of the COLA.
- If you entered DROP on or before July 1, 2014, your monthly pension payment will be increased by the full COLA.

Example: A member entered DROP on July 1, 2013 with a monthly pension amount of \$6,300.

On July 31, 2014, the 2014 COLA of 0.5% increased the member's monthly pension to \$6,331.50:

$$\text{\$6,300} + (\text{\$6,300} \times 0.005)$$

On July 31, 2015, the 2015 COLA of 0.1% will increase the member's current monthly pension of \$6,331.50 to \$6,337.83:

$$\text{\$6,331.50} + (\text{\$6,331.50} \times 0.001)$$

What about the Tier 5 COLA Bank? While Tier 5 (and Tier 6) members have a COLA bank to offset adjustments that are below 3%, this bank was emptied in July 2010 when the COLA was 1.4%. Since that time, the annual CPI change has remained below 3% and, as a result, no additional percentages have been banked.

Additional details about the COLA are available from the *Retired Members* section of our website.

How to Enter DROP

If you will soon be or are now eligible and elect to participate in DROP, the following are necessary steps to ensuring the process is a smooth one:

I. Purchase(s) of Service Credit

You must complete all purchase(s) of service credit prior to entering DROP. A purchase is considered completed when LAFPP has received payment in full for your purchase(s). You should allow at least six months before your anticipated retirement or entry to DROP. Please contact the Active Member Services Section at (213) 978-4522 regarding your purchase(s) of service credit.

II. Letter of Intent (LOI)

Police members:

Please schedule an appointment with your department retirement liaison first by calling (213) 486-6610. He/she will provide you with a Letter of Intent (LOI) to enroll in DROP.

Your liaison will also give you a DROP Entry packet for you to fill out prior to your appointment with a Benefits Specialist at LAFPP. Fill out the forms but do *not* sign them.



Fire members:

Your LOI will be prepared by the LAFPP Benefits Specialist.

Harbor Port Police members:

To obtain an LOI, please contact Human Resources at (310) 732-3486.

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III. All Members

1. Schedule a DROP Entry appointment

- Call the LAFPP DROP/Service Pensions Section at (213) 978-4575 to schedule an appointment.
- Appointments are required and must be scheduled with the Benefits Specialist assigned to process your entry.
- DROP entry appointments will be scheduled not more than 60 days and not less than 3 days prior to your intended effective date of participation in DROP.
- You must enroll in person.
- **Fire and Harbor Port Police members:** Once an appointment has been scheduled, your entry packet will be mailed to you prior to your scheduled appointment.

2. Bring the following to your DROP Entry appointment:

- Your California Drivers License or department picture ID card,
- Social Security numbers and birth certificates for your spouse/domestic partner and any minor/dependent children,
- Marriage certificate or state-registered domestic partnership documents (if not already on file with LAFPP), and
- Dissolution of marriage documents for all prior marriages.
- **Police and Harbor Port Police members:** You must also bring the LOI prepared by your department retirement/human resources liaison.

NOTE:

- You have through the day preceding your DROP entry effective date to change your mind and revoke your DROP application. Afterwards, your decision to participate in DROP becomes irrevocable.
- Per the Los Angeles Administrative Code, Section 4.2101(c)(1), your DROP entry date may not be backdated.
- You must be on active duty status on your DROP entry date. In the event you are sick, on vacation or on any other non-working status on this day, your DROP entry date will automatically be advanced to the next qualifying date.



OTHER

news & updates



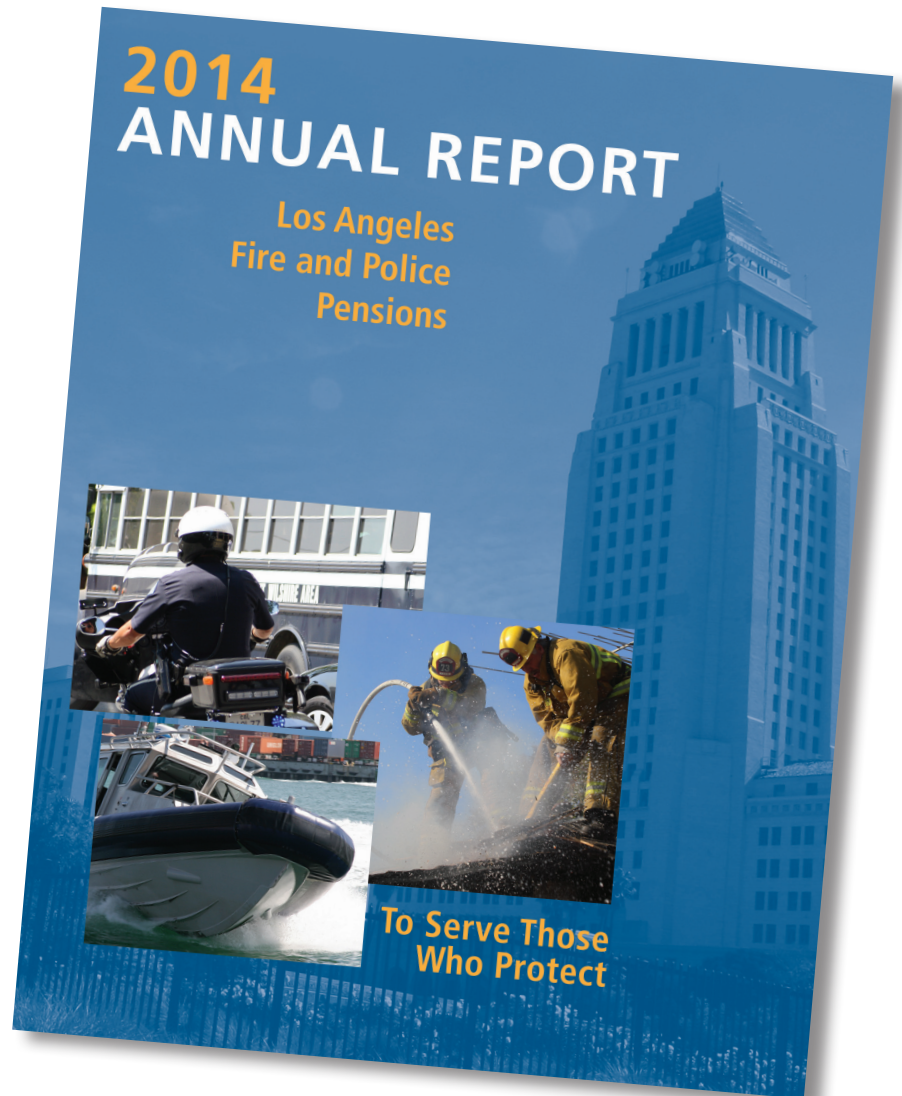
We are 86.6% Funded!

For the Fiscal Year (FY) ending June 30, 2014, on an actuarial basis, LAFPP is 86.6% funded for pension benefits and 43.2% funded for health benefits, an increase of 3.5% and 4.7%, respectively. The combined funded status of pension and health benefits is 80.8%, an increase of 3.5% from the previous year.

An actuarial valuation is conducted once a year to determine whether the Plan's assets and the employer and member contributions are sufficient to provide plan benefits. The valuation also includes the calculation of the employer contribution rate which consists of:

- (1) the employer's share of defined entry-age normal costs (designed to fund a member's total plan benefit over the course of his/her career);
- (2) the percentage necessary to amortize the "unfunded liability" of the System (the Plan's obligations in excess of the Plan's projected assets);
- (3) the amount to provide for health plan subsidies; and
- (4) the amount to account for the Plan's administrative expenses.

For more information, please go to: www.lafpp.com/news/funded-status-increases-to-866



2014 Annual Report

The annual report for the Fiscal Year ending June 30, 2014 is available online. This report provides detailed information on the status and fiscal health of the LAFPP System, including a summary of the receipts and expenditures, investment performance and activities, actuarial funding status, membership statistics, and more.

To learn more about this report, please go to: www.lafpp.com/news/the-2014-annual-report-is-available

This report and other historical reports can also be accessed from the "Financial Reports" link in the *About LAFPP* section of our website.

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news & updates

2% Opt-in Contribution

The “freeze ordinance” is still in effect.

The *Fry, et al. v. City of Los Angeles* case concerns the City’s ordinance freezing the retiree health subsidy benefit by the City for those LAFPP members who retired or entered DROP on or after July 15, 2011, and who did not elect to contribute an extra 2% of their salary. At that time, approximately 30% of the active membership did not choose to contribute the extra 2% of salary. The petitioners sued the City and argued that the City’s “freeze ordinance” illegally impaired their vested rights to a retiree health subsidy that would increase over time.

Although an official Writ, issued September 5, 2014, directed the Board of Fire and Police Pension Commissioners to begin paying

“unfrozen” subsidies to all pensioners, the City’s request for a stay on that ruling was granted by the Court of Appeal on November 12, 2014 and the “frozen” subsidy was reinstated.

Until otherwise ordered by a court, active/DROP members who opted in will continue to contribute an additional 2% of their salary; those who retired or entered DROP after July 14, 2011 and did not opt in will receive a frozen health subsidy based on the monthly maximums in effect on July 1, 2011.

For a recap of events and rulings in this case to date, please go to:
www.lafpp.com/news/fry-v-city-of-los-angeles



#LAFPP

LAFPP is on Twitter!

LAFPP’s inaugural tweet went out on April 2nd! Follow us on Twitter to keep up with the latest news and events as well as interact directly with staff. You can re-tweet our posts to share with your followers. To follow us, you must log into your Twitter account (or create one at www.Twitter.com) and enter “@LAFPP” in the search bar. Once on our page, click the “follow” button and you will be following LAFPP immediately!

ABOUT LAFPP

QUARTERLY REVIEW

Fast Facts!

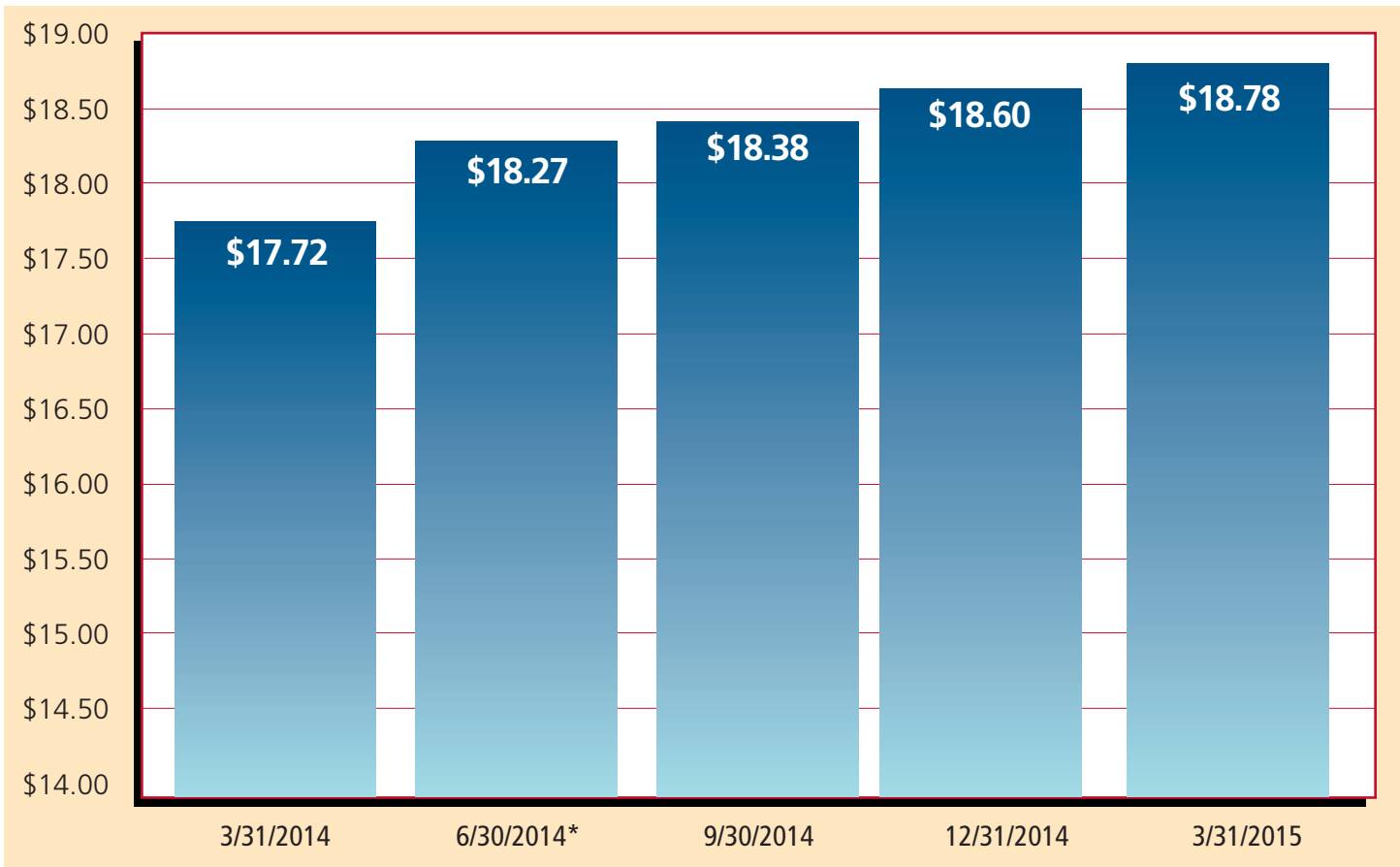
As of March 31, 2015:

Membership	
Total Membership	25,463
Active Members (including DROP)	12,786
Service Pensioners	8,051
Disability Pensioners	2,170
Qualified Survivors	2,456

DROP Program	
Total Entries – Fiscal Year thru 3/31/2015	226
Fire	55
Police	171
Port Police	0
Total Exits – Fiscal Year thru 3/31/2015	205
Fire	87
Police	118
Port Police	0
Total Current Participants	1,292

Investment Portfolio

Market Value (in billions)



* Market value for Fiscal Year ending June 30, 2014 is audited.

Except where noted, the information provided above is unaudited. More information for this period is available on our website from the *About LAFPP* and *Investments* sections.



The Board of Fire and Police Pension Commissioners

LAFPP 2015-18 Three Year Strategic Plan

In a continuing effort to implement “best practices” throughout the organization, the Board of Fire and Police Pension Commissioners (Board) approved a new Fiscal Year (FY) 2015-18 Three Year Strategic Plan (Strategic Plan) on February 5, 2015. The Strategic Planning process was refined this year to enhance Board input and to better assess LAFPP’s relative areas of Strengths, Weaknesses, Opportunities, and Threats (SWOT analysis). The Strategic Plan sets broad long-term goals for LAFPP, which will be accomplished by setting forth specific projects through an annual Business Plan.

In refining the Strategic Planning process, the Board worked with a consultant and LAFPP management to discuss and address the SWOT analysis, developed a Vision Statement and organizational Values, and revised the LAFPP Mission and Goals. These elements are delineated below.

Vision

A Vision Statement aims to inspire staff and the Board and focuses on LAFPP’s future, enabling LAFPP to develop long-term strategies to achieve stated goals. This marks the first time LAFPP has developed a Vision Statement through the Strategic Planning process.

Our Vision is to be a leader and innovator in the public pension industry through an uncompromising dedication to excellence, customer service, transparency, and education.

Values

LAFPP also codified Values into its Strategic Plan for the first time. Values are guiding principles, beliefs, and a code of behavior that form an important part of the foundation on which LAFPP staff and the Board

operate. With staff input, the Board approved the following Values:

- **Accountability** - We recognize our responsibility to our members to deliver promised pension benefits. We ensure appropriate oversight to achieve excellence in service, operational, and investment decision making.
- **Collaboration** - We value teamwork to achieve success and encourage staff at all levels to share ideas and offer suggestions for improving operations. We are enriched by our engagement with the Board, our members, and our stakeholders.
- **Efficiency** - We continually search for ways to deliver quality services and reduce administrative expenses. We promote innovation throughout the organization and use performance measurement to drive decisions.
- **Ethics** - We preserve the public trust by adhering to the ethical standards established by the State, the City, and our Board Policies.
- **Respect** - We treat each other and our members with kindness and dignity. We promote a fair environment and support each other by sharing information and knowledge to ensure we deliver quality services.
- **Transparency** - We strive to always provide clear, accurate, and complete information and transact business decisions in an open manner so that our members, the City, and the public can trust that our decisions are fair, honest, and ethical.

Mission

The Board approved the following revised Mission Statement to more accurately reflect LAFPP’s overriding purpose:

To advance the health and retirement security of those who dedicate their careers and risk their lives to protect the people of Los Angeles.

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Goals

Prior to the FY 2015-18 Strategic Plan, LAFPP had three primary goals: 1) Customer Service; 2) Risk Management; and 3) Communication and Stakeholder Relations. The Board approved an expansion of the primary goals to more fully capture the breadth of the longer term theme and objectives of the Board:

- 1) *Ensure a financially sound retirement system*
- 2) *Manage risk throughout the organization*
- 3) *Enhance customer service to our members*

- 4) *Pursue operational efficiencies*
- 5) *Enhance communication efforts and outreach*

Under the leadership of President Belinda M. Vega, the FY 2015-18 Strategic Planning process was a tremendous success. The input from the Board and Staff helped refine and shape our Vision, Values, Mission, and Goals. Staff is extremely grateful to the Board for being a pivotal part of this year's Strategic Planning process.

Board Member Elections & Appointments

The Office of the City Clerk – Election Division, in conjunction with LAFPP, recently conducted two separate elections for the Retired Fire Member and Active Police Member of the Board. Below is the latest on these elections.

- **Retired Fire Board Member Election** – On March 31, 2015, Commissioner Sam Diannitto was re-elected as the Retired Fire Member of the Board. A candidate needs the majority of all votes cast (i.e., at least 50% plus one of the votes returned) in order to win the election. Commissioner Diannitto received 91.38% of the votes cast and will serve a new five-year term from July 1, 2015 to June 30, 2020.

Commissioner Diannitto's re-election marks his ninth term since he was first elected to serve in 1972 as the Active Fire Board Member. Congratulations Commissioner Diannitto and thank you for your continued service!

- **Active Police Board Member Election** – On April 28, 2015, Commissioner Robert von Voigt was re-elected to the Board as the Active Police Member. He received 96.67% of the votes cast, and will serve a new five-year term from July 1, 2015 to June 30, 2020.

Commissioner von Voigt's re-election marks his third term since he was first elected to serve in December 2008. Congratulations Commissioner von Voigt and thank you for your continued service!

On May 13, 2015, the City Council approved the Mayor's appointment of Adam Nathanson to the Board to serve the unexpired term ending June 30, 2015 and the subsequent five-year term ending June 30, 2020. Commissioner Nathanson fills the vacancy, created by former Commissioner, Carl Cade.

Welcome Commissioner Nathanson!

Board Directory

Commissioner	Appointed/Elected	Term Expiration
Belinda M. Vega, President	Appointed by the Mayor	June 30, 2016
Robert von Voigt, Vice President	Elected by Active Police Members	June 30, 2020
George V. Aliano	Elected by Retired Police Members	June 30, 2019
Cielo V. Castro	Appointed by the Mayor	June 30, 2018
Sam Diannitto	Elected by Retired Fire Members	June 30, 2020
Adam Nathanson	Appointed by the Mayor	June 30, 2020
Ruben Navarro	Elected by Active Fire Members	June 30, 2017
Pedram Salimpour	Appointed by the Mayor	June 30, 2017
Corinne E. Tapia	Appointed by the Mayor	June 30, 2019

The Board normally meets on the first and third Thursdays of the month at 8:30 a.m. at the LACERS facility, in the Los Angeles Times Building: 202 W. First Street, Suite 500, Los Angeles, CA 90012. Most meetings, including special meetings, are from one to four hours in duration. More information on the Board's schedule and agendas are available from the *Board of Administration* section of our website.

contact information & more

Our staff is available to assist you Monday through Friday (except holidays) from 8:00 a.m. to 5:00 p.m. PT. Please refer to the following information to contact us.

Department Directory

Active Member Services (213) 978-4522

- Annual Member Statements
- Beneficiary Designations
- Contribution Accounts
- Dissolution of Marriage Information
- Refund of Contributions
- Request to Purchase Service Credit
 - Military or Other Government Service (PSP)
 - Recruit Training Time
 - Other Service Credit

Communications & Special Projects (213) 978-4530

- Annual Report
- Benefits Presentations
- Financial Planning Education Seminars
- Social Media (e.g., Facebook)
- MyLAFPP
- Newsletters
- Website Updates

Disability Pensions (213) 978-4500

- Active Member Deaths – Survivor Pensions
- Disability Pension Inquiries, Processing, and Reviews
- Review of Dependent Children/Dependent Parent Qualifications

DROP/Service Pensions (213) 978-4575 (213) 978-4504 fax

- DROP – Information on the Deferred Retirement Option Plan
 - DROP Entry/Exit Inquiries and Processing
 - DROP Member Beneficiary Designation
- Service and Deferred Pension Inquiries and Processing

Other Ways to Contact Us

Address 360 E. Second St.
Suite 400
Los Angeles, CA 90012

Mail Stop 390

Main (213) 978-4545

Fax (213) 978-4450

TDD (213) 978-4455

Email pensions@lafpp.com

Website www.lafpp.com

Upcoming Important dates & events

Holiday Schedule

Jul 3	Independence Day observed
Sep 7	Labor Day
Oct 12	Columbus Day
Nov 11	Veterans' Day
Nov 26	Thanksgiving Day
Nov 27	Day After Thanksgiving
Dec 25	Christmas Day

Our offices will be closed on these holidays, but you can still find information on our website!

Board & Committee Meetings:

Jun 4 & 18	Oct 1 & 15
Jul 2 & 16	Nov 5 & 19
Aug 6 & 20	Dec 3 & 17
Sep 3 & 17	

Please check the *Board of Administration* section of our website for meeting information.