

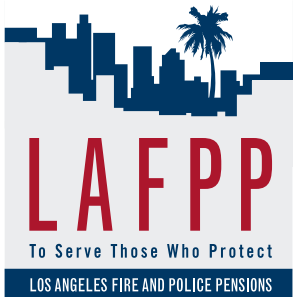
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Pension Perspectives



LOS ANGELES FIRE & POLICE PENSIONS

SEPTEMBER 2017



Understanding Pension Fundamentals

What is my mandatory pension contribution? How is my pension calculated? Please take a minute to review and refresh your knowledge.

YOUR PENSION CONTRIBUTION

When you graduated from the Fire Drill Tower or Police Academy, you became a member of LAFPP and started contributing to the Pension System (System). Your pension contribution is a percentage

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General Manager's Message



Welcome to the latest edition of Pension Perspectives. As we celebrate Labor Day this month, it's a great time to reflect on our careers with the City and assess your retirement goals. Regardless of what stage you are in your career, planning is key to a successful retirement.

What's great about this newsletter edition is that it helps you understand the basics of your pension, such as the pension contribution percentage, pension calculations, and other issues that may affect your pension. Another helpful article, If You Made Any After-Tax Pension Contributions, discusses pension contributions that have already been taxed and how that will affect your monthly pension benefit or DROP payouts. Please read this article to see if this may apply to you!

If you have questions about your pension benefits, please contact me or my staff.

Ray Ciranna, General Manager

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Understanding Pension Fundamentals

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of your pre-tax pensionable salary and is automatically deducted from your bi-weekly paycheck. (Note: For information on which bonuses are considered pensionable, please see the questions and answers on page 5.) This contribution helps to support the funding of your pension. While you are an Active or DROP member, you will continue to contribute until you accrue the maximum years of service (YOS) for your tier – see the table below. **Once you retire/exit DROP, you will no longer contribute to the System.**

PENSION CONTRIBUTIONS*	TIER 3	TIER 4	TIER 5	TIER 6
% of Salary	8%	8%	9% Or 8% if the Plan is at least 100% actuarially funded for pension benefits.	11% 2% of your contribution supports the funding of your health subsidy in retirement and will cease once you attain 25 YOS.
Cease After	30 YOS	30 YOS	33 YOS	33 YOS

Note for members in Tiers 2 – 5: In addition to the mandatory pension contribution, you may have elected to contribute an additional 2% of your post-tax base salary to receive an unfrozen health subsidy in retirement. This amount will continue to be deducted until you have made this contribution for 25 years or retire/exit DROP.

Your *eligibility* for a Service Pension

You may apply for a Service Pension once you meet the following minimum requirements:

TIER 3	TIER 4	TIER 5 & 6
Age 50 and at least 10 YOS	Any age with at least 20 YOS	Age 50 and at least 20 YOS

Calculating Your Service Pension

Your monthly pension benefit is based on your *Final Average Salary* and your *YOS Pension Percentage*. It is not based on the total amount you have contributed to the System.

Final Average Salary – This factor is your average monthly pay for any consecutive 12-month period you select (24-month period for Tier 6).

YOS Pension % – Your years of service (minus any Lost Service Time) are converted to a percentage as follows:

Note for Tier 3 members: You accrue 2% per year, up to 20 YOS. For example, if you were eligible to retire at 10 YOS, your YOS Pension % would be 20%.

YOS	TIER 3 & 4	TIER 5	TIER 6
20	40%	50%	40%
21	43%	53%	43%
22	46%	56%	46%
23	49%	59%	49%
24	52%	62%	52%
25	55%	65%	55%
26	58%	68%	59%
27	61%	71%	63%
28	64%	74%	67%
29	67%	77%	71%
30	70%	81%	75%
31		84%	80%
32		87%	85%
33 +		90%	90%

THE FOLLOWING FORMULA IS USED TO CALCULATE YOUR MONTHLY PENSION BENEFIT:



Your pension benefit is lifelong and cost of living adjustments (COLA) are applied annually, if applicable.

Other Questions You May Have

1 | What happens if I leave the Fire, Police or Harbor Department before I can retire?

Tiers 3, 5 and 6 members: You may request a refund of your contributions with interest. If you terminate employment before age 50 for any reason other than disability, you may instead be able to elect the Deferred Pension option. To be eligible for this option, you must have the minimum years of service necessary to retire on a Service Pension – 10 YOS for Tier 3 and 20 YOS for Tiers 5 and 6. At age 50, you will begin to receive a lifelong monthly pension benefit that is based on the YOS Pension % calculation **for Tier 3** members. (NOTE: You must make a written election to receive a deferred pension within three years of terminating your employment.)

Example: A Tier 5 member who terminates at age 47 with 26 YOS would start receiving a monthly pension benefit at age 50 based on 58% of his/her Final Average Salary instead of 68%. In the same scenario, a Tier 6 member would receive a monthly pension benefit based on 58% instead of 59% of his/her Final Average Salary.

Please note that if you elect the Deferred Pension option and die before age 50, your Qualified Survivors will not receive a Survivorship Pension (which is a lifelong pension benefit for a Qualified Surviving Spouse/Domestic Partner or Surviving/Dependent Child [a child declared disabled from earning a living prior to the age of 21]). Instead, a refund of your contributions and interest will be paid to your designated beneficiary.

Tier 4 members: If you terminate employment for any reason, you are not eligible for a refund of contributions or the Deferred Pension option.

2 | Which bonuses are “pensionable” and, therefore, will be included when calculating my final average salary? Patrol bonus? IMT bonus?

Most bonuses are pensionable, provided you are receiving them during the period you elect for your Final Average Salary. However, there are some exceptions including:

- Fire – The Incident Management Team (IMT) bonus is not pensionable.
- Police – The Field Assignment (patrol) and Detective Incentive bonuses are not pensionable.

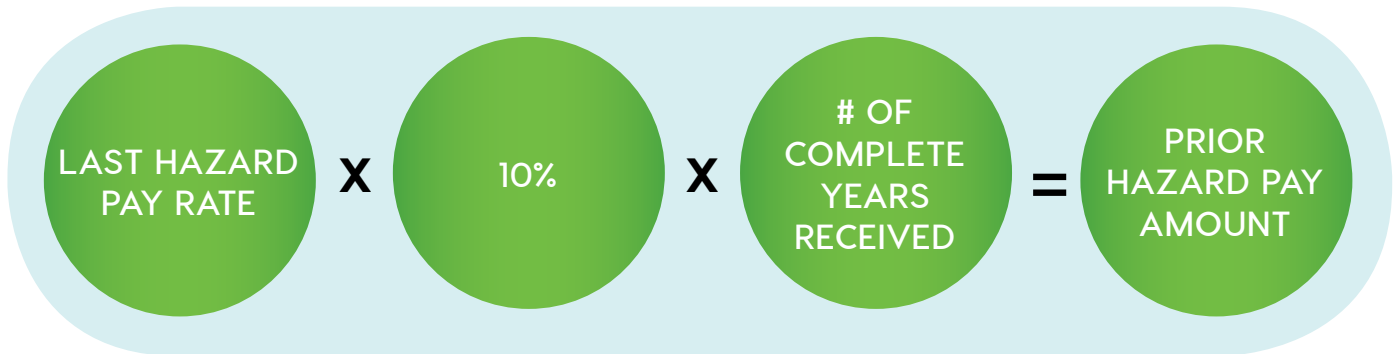
Please consult your MOU for more details.



3 Will I get credit for Hazard Pay?

You will automatically be credited for Hazard Pay you are receiving during the period you elect for your Final Average Salary.

If you are not receiving Hazard Pay during the period you elect for your Final Average Salary, but received it any other time in your sworn City career, you may be credited for Prior Hazard Pay as follows:



Note: The total amount credited for Prior Hazard Pay cannot exceed 100% of the amount you would have received had you been receiving the bonus in the period you elected for your Final Average Salary.

Credit for Prior Hazard Pay only applies to Fire or Police Department members retiring at a rank not higher than Fire Captain or Police Lieutenant.

Please consult your MOU to determine what duties are entitled to hazard pay bonuses.

4 Does LAFPP have reciprocity with other public retirement systems?

LAFPP does not have reciprocity with any other retirement system. However, to receive pension service credit for time served in the U.S. military or time worked at another U.S. government/public agency such as the U.S. Postal Service, you may be eligible to purchase that service (maximum of 4 years) through LAFPP's Public Service Purchase (PSP) Program. Please see our website for more information on this program: www.lafpp.com/members/how-to-purchase-military-or-public-service.

5 How do I purchase my training time?

You may obtain a purchase estimate by logging into *MyLAFPP* and clicking on the "Recruit Training Time Calculator." If, after reviewing the estimate, you wish to purchase your time, click the option to proceed and enter the requested information. The forms to initiate the purchase will be mailed to you in approximately 6 – 8 weeks.

In lieu of obtaining an online estimate, you may submit a "Request for Service Credit Purchase Estimate" form to the Active Member Services Section. The form is available from the Active/DROP Members Forms section of our website.

Please note that if you are a prior Tier 2 member who transferred to another tier, you do not need to purchase your training time. You received credit for this time because you became a member of LAFPP on the day you were hired by the Fire or Police Department.

6

I was told that I can also buy back my pre-academy/pre-drill tower time. Is this true?

Training time in a pre-academy or pre-drill tower is not eligible for purchase. You may only purchase your training time completed in the Police Academy or the Fire Drill Tower.



7

Can I use my Deferred Compensation funds to purchase my training time?

Yes! Please note that a member with less than five years of service, at the time of purchase, must first transfer all of his/her funds from the City's Pensions Savings Plan (for Part-time, Seasonal and Temporary Employees) into his/her Deferred Compensation Plan account to make this purchase. Additionally, if a member has insufficient funds in his/her Pension Savings Plan to complete the purchase, a member is now allowed to pay the balance by payroll deduction (after-tax) which includes a service charge, or a lump sum payment.

Members who have more than five years of service, may purchase his/her training time amount by 1) payroll deduction (after-tax) which includes a service charge, 2) lump sum payment, or 3) Deferred Compensation funds.

8

Can I purchase my bad time?

Any time without pay is considered Lost Service Time (LST) or "bad time." In addition to suspensions, LST includes any occurrences where you took time off, but exceeded the hours you had available in that particular bank. For example, if you took 40 hours of vacation time, but only had 32 hours available in your bank, then 8 hours would be considered LST.

LST is not eligible for purchase. You may choose to work longer to make up for this time. However, you may purchase LST only if it is due to time off on Workers' Compensation State Rate.

Questions... More information on your benefits can be found in the *Active/DROP Members* section of our website. You may also contact the Active Member Services Section at (213) 279-3140.



IF YOU MADE ANY AFTER-TAX PENSION CONTRIBUTIONS...

A PORTION OF YOUR PENSION CHECK MAY BE TAX FREE!



Member pension contributions are generally made on a pre-tax basis. This means that your income tax withholding is calculated after your pension contributions are deducted from your pay. Since you have not been taxed on the money used to make those contributions, your monthly pension benefit will be subject to taxation. However, a portion of your pension benefit will not be taxed to account for any pension contributions you made on an after-tax (or “post-tax”) basis.

You could have after-tax contributions for any of the following reasons:

1. If you made member pension contributions from July 1, 1982 through December 31, 1996, they were made on an after-tax basis due to IRS rules and regulations during that time.
2. If you purchased service credit either with a lump sum payment or through payroll deduction, the money used for the purchase was subject to income tax.
3. If you elected to make the 2% “opt in” additional pension contributions to vest future retiree health subsidy increases, this contribution is collected after taxes.

These after-tax contributions and payments, known as “basis,” are considered “previously taxed” because you have already paid taxes on the money used to make them.

“BASIS RECOVERY” – DETERMINING THE TAX-FREE PORTION OF YOUR PENSION BENEFIT

If you have after-tax pension contributions, your pension benefit will be subject to “basis recovery” – a process to determine the tax-free portion of your pension benefits. The IRS’ Simplified Method is the required formula used to calculate this amount. It takes into account your unrecovered after-tax contributions and your age (plus your spouse’s or domestic partner’s age, if applicable) at the time you retire/exit DROP and start receiving your monthly pension benefit. The younger you are at retirement, the longer it will take to recover your after-tax contributions.

An example of the Simplified Method is available on the “Taxability of Pensions” web page in the Retired Members section of our website at www.lafpp.com/members/plan-details/taxability-of-pensions. You may also read more about this formula in IRS Publication 575 available at www.irs.gov.



ATTENTION DROP MEMBERS!

When you prepare to exit DROP, you may have the opportunity to take a portion of your DROP account balance as a tax-free lump sum distribution to recoup a portion of any eligible after-tax contributions. Rather than recovering all of your after-tax contributions in payments over your retirement lifetime (per the Simplified Method), the Internal Revenue Code includes a provision that allows you to recover a portion of your eligible contributions using an accelerated basis recovery method.



As such, the following basis recovery method is used for members exiting DROP on or after January 1, 2014:

- You may recover any after-tax contributions made before 1987 entirely through your lump sum DROP distribution.
- Any after-tax contributions made after 1986 will be recovered pro-rata between your DROP distribution and your monthly pension benefit. The portion recovered through your monthly pension benefit will be subject to the Simplified Method.

When you receive your DROP exit distribution forms, you will be provided a breakdown of your after-tax contributions, your distribution options, the amount that may be recovered tax-free from your DROP distribution and how much you will recover tax-free as part of your monthly pension benefit on an ongoing basis.

Please note, you must make your DROP distribution election within 90 days of exiting DROP, otherwise you will lose the opportunity for accelerated basis recovery. In this case, your DROP distribution will be fully taxable and all of your basis will be recovered through your monthly pension according to the Simplified Method.



ATTENTION ACTIVE MEMBERS!

You can log in to MyLAFPP to see an unaudited amount of your after-tax contributions. The amount is displayed on the “Personalized Information” page.

Questions... In addition to the IRS website, more information is available on our website from the “Taxability of Pensions” page in the Retired Members section. For questions regarding the recovery of your after-tax contributions, please contact the DROP/Service Pensions Section at (213) 279-3100.

2017 ANNUAL MEMBER SURVEY

highlights

LAFPP conducts an Annual Member Survey to assist us in our goal of providing exceptional customer service to our members. This year, the online survey was opened from May 10-24. A postcard and email notification was sent to all Active and Retired members inviting their participation in the survey. Approximately 1,529 members participated in the survey (659 Active and 870 Retired). The total number of completed surveys received equates to a 6% sample size which exceeded the target sample of 3%.

Surveyed members gave LAFPP an overall rating of 94%. Members were provided the opportunity to submit suggestions regarding:

- Topics for future newsletters
- Improvements to the website
- Other features for MyLAFPP
- How LAFPP may better serve our members in general

The suggestions by members included:

- Ability to self-update information online (contact information, beneficiaries)
- Calculators (health/dental subsidies, hazard pay)
- Ability to request dissolution of marriage estimates online
- Ability to submit more forms online and auto-fill forms
- Financial Planning Education seminar information on YouTube and website
- Present benefit information at roll calls

Included in this year's survey were questions to solicit feedback on the current website. Approximately 79.3% of those surveyed found the website to be above-average to excellent, while 16.2% rated the website as average.

LAFPP's 2017-18 Business Plan, Goal III is to enhance customer service to our members. The feedback received from the Annual Member Survey is used to improve our customer service to members.

If you missed the opportunity to participate in the Annual Member Survey, we encourage members to provide comments at the *How Are We Doing?* survey, located on the home page at lafpp.com.

CITY'S DEFERRED COMPENSATION PLAN

Transition From Empower Retirement to Voya



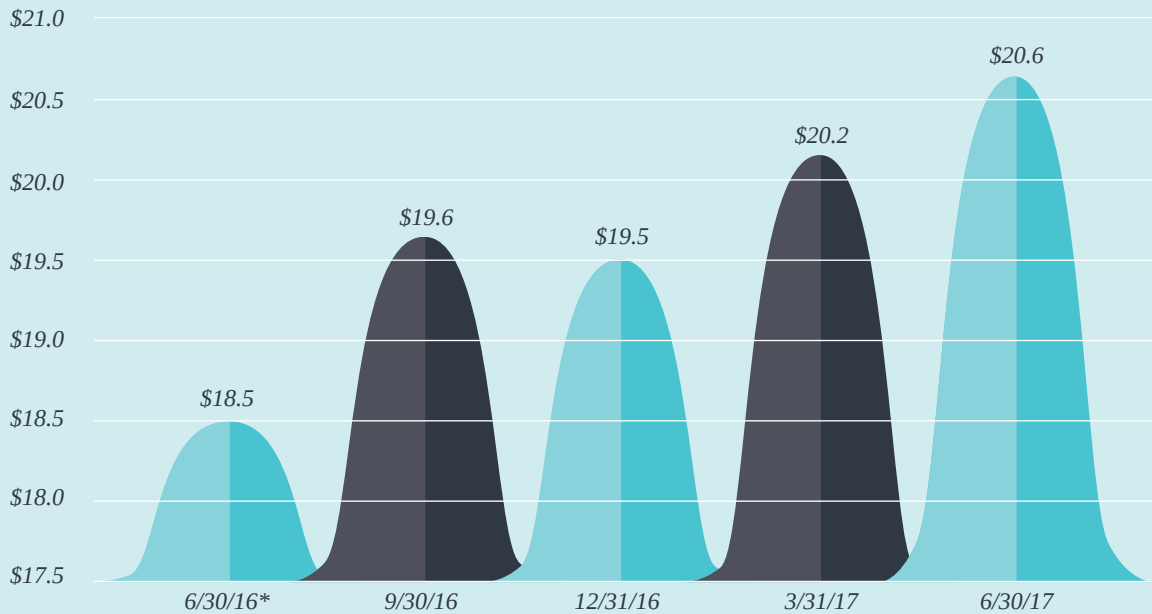
In April the Deferred Compensation Plan announced an upcoming change to its third-party administrator from Empower Retirement to Voya Financial. Voya will offer improved customer service features and new retirement planning tools, but there will be no changes to Plan investments and no increase in fees. In early September, a newsletter was sent detailing the transition and included a schedule of information sessions held at various City facilities. The transition date is October 2, 2017. Questions can be directed to the Deferred Compensation Plan at (213) 978-1586 or perdcp@lacity.org.

Fast Facts!

As of June 30, 2017*

INVESTMENT PORTFOLIO

MARKET VALUE (IN BILLIONS)



Except where noted, the information is unaudited.

More information for this period is available at www.lafpp.com in the *About LAFPP* and *Investments* sections.

*Market value for 6/30/2016 is audited.

DROP PROGRAM

Total Entries <i>FY thru 6/30/2017</i>	269
Fire	69
Police	200
Harbor Port Police	0
Total Exits <i>FY thru 6/30/2017</i>	263
Fire	76
Police	187
Harbor Port Police	0
Total Current Participants	1,301

MEMBERSHIP

Total Membership	25,819
Active Members (including DROP)	12,814
Service Pensioners	8,445
Disability Pensioners	2,077
Qualified Survivors	2,483

*This information is unaudited.

RUBEN NAVARRO RE-ELECTED TO THE BOARD



Congratulations to Ruben Navarro who was declared the elected Fire Department Employee Member of the Board of Fire and Police Pension Commissioners for the term of July 1, 2017 to June 30, 2022. The general election, held on April 25, 2017, was conducted by the Office of the City Clerk. The official certified results showed that Ruben Navarro received 82.49% of the total votes cast. This percentage exceeds the required majority of all votes cast. According to the Los Angeles Administrative Code Section 23.102.9, Ruben Navarro is the winner of the election and a runoff election is not required. Commissioner Navarro has served on the Board since November 2009. We thank him for his continued commitment to the Board and members of the System.

BOARD

ELECTS NEW OFFICERS

Each year in July, the Board of Fire and Police Pension Commissioners elects its Officers of the Board to serve a one-year term. On July 20, 2017, the Board elected Ruben Navarro as President and Corinne Babcock as Vice President.

The annual election of Officers of the Board adheres to the City Charter, Section 503. Also following the Board's Governance Policy Sections 7.1 and 8.1, the positions of Officers are rotated annually between appointed and elected members of the Board. Commissioner Navarro was elected to the Board by the active members

of the Fire Department. His tenure on the Board dates back to November 2009. Commissioner Navarro previously served as the Board President in 2013 and on various Board committees. Commissioner Babcock was appointed to the Board by Mayor Eric Garcetti in November 2013. She has since served a second term and has previously served on various Board committees.

Congratulations to Commissioners Navarro and Babcock as they begin their new roles on the Board!

Commissioner Pedram Salimpour, M.D. Re-Appointed to the Board



On July 26, 2017, the City Council confirmed Mayor Garcetti’s reappointment of Pedram Salimpour, MD to the Board of Fire and Police Pension Commissioners (Board) for a second term beginning July 1, 2017 through June 30, 2022. Dr. Salimpour has been instrumental in working with the Associations and Stakeholders to benefit LAFPP members. He served as Board President from July 2016 through June 2017. Congratulations to Dr. Salimpour for his continuous dedication as a Commissioner of the Board!

The Board of Fire and Police Pension Commissioners consists of nine members: five members appointed by the Mayor and four members elected by active and retired Plan members of the Fire and Police Departments. In governing the System, the Board is committed to acting in strict accordance with its fiduciary duties, including those of prudence, loyalty and care.

BOARD DIRECTORY

COMMISSIONER

Ruben Navarro PRESIDENT

Corinne T. Babcock VICE PRESIDENT

George V. Aliano

Sam Diannitto

Adam Nathanson

Brian Pendleton

Pedram Salimpour, MD

Belinda M. Vega

Robert von Voigt

APPOINTED/ELECTED

Elected by Active Fire Members

Appointed by the Mayor

Elected by Retired Police Members

Elected by Retired Fire Members

Appointed by the Mayor

Appointed by the Mayor

Appointed by the Mayor

Appointed by the Mayor

Elected by Active Police Members

TERM EXPIRATION

June 30, 2022

June 30, 2019

June 30, 2019

June 30, 2020

June 30, 2020

June 30, 2018

June 30, 2022

June 30, 2021

June 30, 2020

Our staff is available to assist you Monday through Friday (except holidays) from 8:00 am to 5:00 pm PT. Please refer to the following information to contact us. When calling our toll-free number, (844) 88-LAFPP, please enter the extension number as detailed below.

DEPARTMENT DIRECTORY

ACTIVE MEMBER SERVICES

(213) 279-3140
(toll-free ext.: 93140)
(213) 628-7716 (Fax)

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

COMMUNICATIONS & EDUCATION

(213) 279-3155
(toll-free ext.: 93155)
(213) 628-7716 (Fax)

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

DISABILITY PENSION

(213) 279-3165
(toll-free ext.: 93165)
(213) 628-7782 (Fax)

- Disability Pension Inquiries, Processing and Reviews
- Review of Dependent Children/Parent Qualifications

DROP/SERVICE PENSIONS

(213) 279-3100
(toll-free ext.: 93100)
(213) 628-7716 (Fax)

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

CONTACT US

Address 701 East 3rd Street
Suite 200
Los Angeles, CA 90013

Main (213) 279-3000

Fax (213) 628-7716

Toll Free (844) 88-LAFPP (52377)

TDD (213) 628-7713

Email pensions@lafpp.com

Website www.lafpp.com

2017 CALENDAR

HOLIDAY SCHEDULE

October 9	Columbus Day
November 10	Veterans Day (Observed)
November 23-24	Thanksgiving
December 25	Christmas Day

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

BOARD MEETINGS

September 20	November 2 & 16
October 5 & 19	December 7 & 21

For meeting information, please refer to the Board of Administration Section at lafpp.com.

got pension questions?
we got answers!



CHECK OUT OUR FREQUENTLY ASKED QUESTIONS (FAQS) ONLINE

If you have a pension question, it's possible that the answer is listed in the FAQ section of our website. The *FAQ* section is a great resource to get an answer to many pension-related questions at a time that's convenient for you! You can find answers to questions like which bonuses are pensionable, how your pension impacts your Social Security benefit, how to purchase military time or other public agency service credit, what happens if you are promoted, demoted, terminated or disabled while in DROP and much more.

You may access the link to the *FAQ* section from the Members Section at www.lafpp.com/members/active/faqs. This section is periodically updated with more questions and answers!

