

# Pension Perspectives



LOS ANGELES FIRE & POLICE PENSIONS

JUNE 2018



## Non-Medicare Subsidy Increase for Retired Members – Effective July 1, 2018

*Under Age 65, or Age 65 and older with Medicare Part B only*

### The Board Approves a 6% Increase

On May 3, 2018, the Board of Fire and Police Pension Commissioners (Board) increased the maximum non-Medicare health subsidy for Retired Members by 6% to \$1,725.39 per month, effective July 1, 2018. This increase applies to retirees with non-frozen subsidies only.

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# General Manager's Message



Greetings and welcome to the summer edition of Pension Perspectives! There is great news regarding the Cost-of-Living-Adjustment (COLA) for this year. On April 19, 2018, the Board of Fire and Police Pension Commissioners

approved a 3.6% increase for retirees and DROP members. The article on page 7 has details of the COLA calculation.

On May 3, 2018, the Board increased the maximum Non-Medicare health subsidy by 6% to \$1,725.39, effective July 1. The featured article describes the specifics of the Non-Medicare subsidy and how to calculate your monthly subsidy amount.

The goal of our newsletters is to give members a comprehensive understanding of the various pension topics and the effects on members. In February and March of this year, LAFPP issued two *Benefits Bulletins* that provided an overview of the health subsidy and plan premiums. The Bulletins were sent to members by U.S. mail, were emailed and are posted to our website under Retired Members Newsletters. A friendly reminder: please keep your email and mailing addresses updated with us to ensure you receive important pension news.

If you have questions regarding your pension benefits or retiree medical and dental plan options, please do not hesitate to give us a call.

Respectfully,

Ray Ciranna, General Manager

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# Non-Medicare Subsidy Increase for Retired Members – Effective July 1, 2018

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Los Angeles Administrative Code Section 4.1154(e) grants the Board the authority to change the maximum non-Medicare health subsidy for retired members on an annual basis. The Board may make discretionary changes so long as no increase exceeds the lesser of 7% or the Plan's actuarial assumed medical trend rate. (The actuarial medical trend rate is used to calculate the Plan's expected retiree health benefit liabilities over the long-term, and helps determine the City's contribution for the given year.)

## Calculating Your Monthly Subsidy Amount

Retired members are eligible to receive the non-Medicare health subsidy provided all the following requirements are met:

- At least age 55 (age 60 for members who retired before July 1, 1998) or age 65 and older who qualify for Medicare Part B only (NOTE: Retirees who qualify for both Medicare Parts A and B receive the Medicare subsidy.)
- Receiving a monthly pension (member has exited DROP)
- Retired with at least 10 years of service
- Enrolled in a Board-approved health plan, or participate in the Health Insurance Premium Reimbursement (HIPR) Program.

Members who retired with 25 or more years of service qualify for the maximum subsidy of \$1,725.39. Those with 10 to 24 years of service receive 4% of the maximum subsidy for each whole year of service. See the chart below to determine the subsidy amount.

How to Calculate the Non-Medicare Health Subsidy for Retired Members with 10-24 Years of Service	
Maximum Monthly Subsidy*	\$1,725.39
Calculating Your Monthly Subsidy**	Member's Whole Years of Service x 4% x Maximum Monthly Subsidy = Monthly Subsidy
<p>*If the member: (1) entered DROP or retired after July 14, 2011, and (2) did not opt-in during the designated period to make the additional 2% bi-weekly pension contributions, the Maximum Monthly Subsidy may not exceed the July 1, 2011 rate of \$1,097.41.</p> <p>**The actual Monthly Subsidy provided may not exceed the premium of the health plan in which the member is enrolled.</p>	

### MEMBERS WHO OPTED-IN NON-FROZEN HEALTH SUBSIDY

You will receive a subsidy based on the non-frozen maximum amount of \$1,725.39 if you:

- Entered DROP or retired prior to July 15, 2011, or
- Chose to opt-in during the designated period to contribute 2% of your base salary.

### MEMBERS WHO DID NOT OPT-IN FROZEN HEALTH SUBSIDY

You will receive a subsidy based on the July 1, 2011 maximum subsidy amount of \$1,097.41 if you:

- Entered DROP or retired after July 14, 2011, and
- Chose not to opt-in during the designated period to contribute an additional 2% of your base salary.

If you have questions regarding your health subsidy, please contact the Medical and Dental Benefits Section at (213) 279-3115 or (844) 88-LAFPP, ext. 93115. Information is also available on the *Retired Members* and *Qualified Survivors* sections at [www.lafpp.com](http://www.lafpp.com).

# RETIREE HEALTH PLANS

## *Program Update*



On May 3, 2018, the Board dissolved the Ad Hoc Committee on Retiree Health Plans. The Board also

approved the Committee's final recommendation to negotiate new contracts with each of the Relief Associations and union organizations currently providing Board-approved health and dental plans. It is the Board's fiduciary duty to oversee administration of the program as spelled out in the Los Angeles City Charter and Los Angeles Administrative Code and confirmed by the City Attorney.

The Board is currently focused on establishing new three-

year contracts for medical and dental plan administration services, effective July 1, 2018. LAFPP's current agreements with Los Angeles Firemen's Relief Association (LAFRA), Los Angeles Police Relief Association (LAPRA), United Firefighters of Los Angeles City (ULAC), and Los Angeles Police Protective League (LAPPL) ("Associations") are expired or soon to be expiring. LAFPP is required by the Los Angeles City Charter and Los Angeles Administrative Code to establish new contracts to authorize



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as soon as possible as the current agreements will soon expire. LAFPP is working with each Association to have the necessary documents approved in time for the new contract period.

Additional information regarding the current discussion regarding the retiree healthcare program will be provided in the next edition of the *LAFPP Benefits Bulletin*. If there are any specific questions or issues you would like to have addressed, please let us know by calling (213) 279-3115 or via email at [MDB@LAFPP.com](mailto:MDB@LAFPP.com).

each of the Associations in its respective role as a Board-approved medical or dental plan administrator.

The Board is committed to improving the retiree healthcare program. Most of the contract terms are a continuation of processes and requirements established in previous agreements between LAFPP and each Association. Additional contract terms are necessary to help reduce disparities among members and to make the process of setting premiums more transparent. Some of the more notable terms that the Board would like included in the new contracts are:

- Equal access to health/dental plans for all pensioners,
- New Medicare plan options for pensioners who need a



less expensive health plan, and

- Provision of utilization reports/claims information.

While some of the new terms may require additional time and resources to implement, it is important that the Associations have their contracts in place





# THE 2018 COST OF LIVING ADJUSTMENT IS 3.6%

EFFECTIVE JULY 1, 2018

The Cost of Living Adjustment (COLA) is 3.6% for 2018. For Tiers 1 and 2, all eligible pensioners and beneficiaries will receive a 3.6% pension payment adjustment beginning with the pension payment dated July 31, 2018. Members of Tiers 3 through 6 and DROP members will receive a 3.0% (except for new retirees or new DROP participants). Members of Tiers 5 and 6 will have the additional 0.6% stored in a COLA bank. A Historical Cost of Living Adjustments chart is available on our website: [www.lafpp.com/members/plan-details/costs-of-living-adjustments-cola/historical](http://www.lafpp.com/members/plan-details/costs-of-living-adjustments-cola/historical).

between July 2, 2017 and June 1, 2018, your monthly pension payment on July 31, 2018 will be adjusted by a prorated percentage of the COLA. For example, if you retired on December 15, 2017, you will receive a COLA based on six (6) complete months of retirement – January through June – one half of the 3.0% COLA.

The COLA is determined based on the annual increase or decrease in the Consumer Price Index (CPI) for All Urban Consumers as published by the U.S. Bureau of Labor Statistics for the area in which the City is located. In previous years the

COLA was based on the change in the CPI for the Los Angeles-Riverside-Orange County area. In

January 2018, the Bureau of Labor Statistics introduced new geographic area samples for the CPI. The *Los Angeles-Long Beach-Anaheim* and *Riverside-San Bernardino-Ontario* areas have now replaced the prior

*Los Angeles-Riverside-Orange County* area sample. The 2018 COLA was calculated based on the new Los Angeles-Long Beach-Anaheim area using a 12-month period from March 2017 through February 2018.

LAFPP calculates the COLA using different metrics than the COLA calculated by the Social Security Administration. Both COLAs are based on changes in the CPI determined by the Bureau of Labor Statistics; however, both the period measured and the population indexes used are different. The COLA for Social Security benefits is based on the percentage increase in the CPI for Urban Wage Earners and Clerical Workers (CPI-W) from the third quarter of the last year a COLA was determined to the third quarter of the current year. Conversely, LAFPP bases its COLA on the annual increase (or decrease) in the CPI for All Urban Consumers (CPI-U) from March 1 of the prior year to the last day in February of the current year. The table to the left shows a five-year history of the COLA for LAFPP pensioners and Social Security.

LAFPP COLA	Social Security COLA
July 2018 – 3.6%	January 2018 – 2.0%
July 2017 – 2.7%	January 2017 – 0.3%
July 2016 – 2.4%	January 2016 – 0.0%
July 2015 – 0.1%	January 2015 – 1.7%
July 2014 – 0.5%	January 2014 – 1.5%

First-year retirees and DROP participants in Tiers 3-6 receive a COLA that is prorated by the number of complete months between their retirement effective date (or DROP entry date) and the following July 1. If you retired (or entered DROP)

If you have questions about the COLA, please contact Retirement Services at (213) 279-3125; (844) 88-LAFPP ext. 93125; or email to [RS@lafpp.com](mailto:RS@lafpp.com). For questions about the CPI, please visit the Bureau of Labor Statistics' website ([www.bls.gov](http://www.bls.gov)), or call (202) 691-7000.





# 2018 Pension Payment Schedule

The schedule below will assist you in determining when you can expect your remaining 2018 pension payments.

<b>PENSION PAYMENT</b>	<b>MAKE CHANGES NO LATER THAN 3PM PT*</b>	<b>PAYABLE DATE**</b>
July	July 20, 2018	July 31, 2018
August	August 22, 2018	August 31, 2018
September	September 19, 2018	September 28, 2018
October	October 22, 2018	October 31, 2018
November	November 20, 2018	November 30, 2018
December	December 19, 2018	December 31, 2018

*\*This is the deadline to make any changes to your contact information, tax withholding elections or Direct Deposit information for the pension payment indicated. These deadlines may be adjusted slightly following our transition to our new pension administration/payroll system this year.*

*\*\*Availability of funds from Direct Deposit may vary according to your financial institution.*



For questions regarding your pension payments, please contact the Retirement Services Section at (213) 279-3125, or (844) 88-LAFPP, ext. 93125.



# A New and Improved **MyLAFPP** is on the Way!

**W**e're making way for our new Pension Administration System (PAS) which is expected to "go live" in 2018! The new PAS will provide a more robust system to service all of our members, as well as provide members more self-service options in *MyLAFPP*.

To allow the upgrades to *MyLAFPP*, it is necessary to disable *MyLAFPP* as well as the Benefit Payment Participant (BPP) Web Passport used by Retired members, for a short term during the transition. You will be notified in the Fall of 2018 of the exact dates *MyLAFPP* will be disabled.

We will inform members once the new *MyLAFPP* is available. Check our website for periodic updates at [www.lafpp.com](http://www.lafpp.com) or you can follow us on Facebook or Twitter.



If you need information regarding your benefits, DROP members please contact DROP/Service Pensions at 213-279-3100 or (844) 88-LAFPP, ext. 93100; Retired members contact Retirement Services at (213) 279-3125 or (844) 88-LAFPP, ext. 93125. For updates regarding *MyLAFPP*, please contact the Communications & Education Section at (213) 279-3155, or (844) 88-LAFPP, ext. 93155.



# 2017

## ANNUAL REPORT IS AVAILABLE AT LAFPP.COM

LAFPP's 2017 Annual Report details financial information such as the department's budget summary, investment performance, asset allocation data, plan actuarial data, and statistical information for the fiscal year ending June 30, 2017. The annual report is also a great reference for members as it includes a summary of plan provisions for members of all Tiers, and the milestones since the inception of the Plan.

Some of the highlights in this report are:

- System assets totaled over \$20.6 billion on a market value basis, up from \$18.5 billion the prior year.
- The investment rate of return for Fiscal Year 2016-17 was 13.27 percent, which exceeded our actuarial assumed rate of return of 7.25 percent.
- The System serves approximately 26,500 members, including active, DROP, and retired members and beneficiaries.
- Pension benefits were actuarially funded at 91.5 percent and health subsidy benefits were funded at 49.3 percent, a decrease of 2.4 percent and increase of 1.2 percent, respectively over the prior year. The combined funding status is 85.6 percent.

We continue to refine and update our Strategic and Business Plan goals to build upon our prior achievements and meet new challenges. These achievements ultimately support our mission – *To advance the health and retirement security of those who dedicate their careers and risk their lives to protect the people of Los Angeles.*

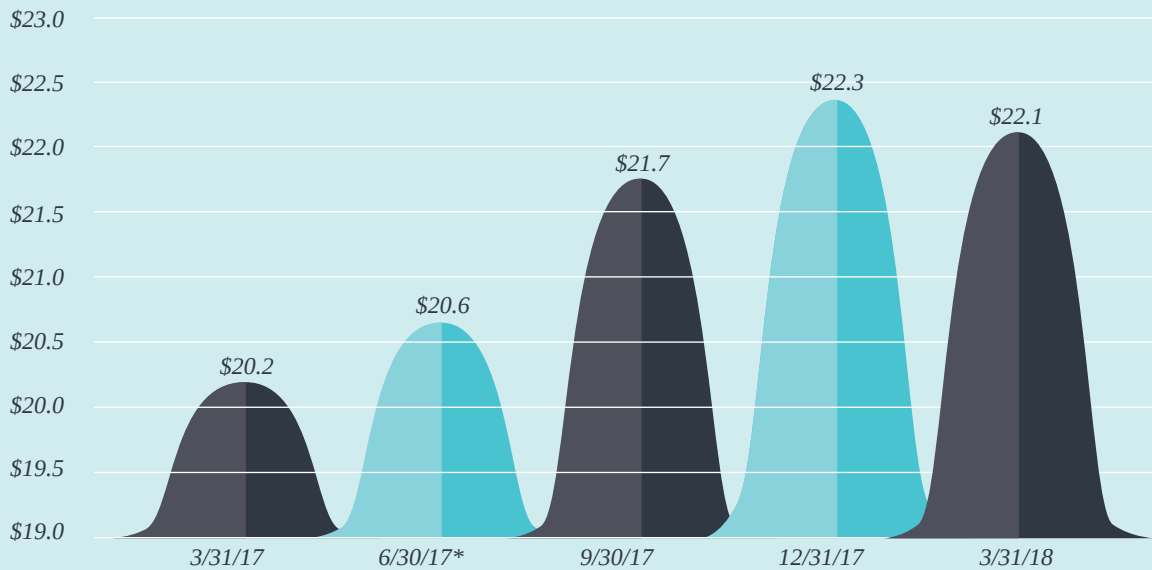
You can find the [2017 Annual Report](#), historical annual reports, actuarial valuations and financial statements under the [Financial Reports](#) link in the [About LAFPP](#) section of [lafpp.com](#).

## Statistical Facts!

As of March 31, 2018\*

### INVESTMENT PORTFOLIO

MARKET VALUE (IN BILLIONS)



Except where noted, the information is unaudited.

More information for this period is available at [www.lafpp.com](http://www.lafpp.com) in the About LAFPP and Investments sections.

\*Market value for 6/30/2017 is audited.

### DROP PROGRAM

<b>Total Entries</b> <i>FY thru 3/31/2018</i>	<b>320</b>
Fire	108
Police	211
Harbor Port Police	1
<b>Total Exits</b> <i>FY thru 3/31/2018</i>	<b>182</b>
Fire	45
Police	137
Harbor Port Police	0
<b>Total Current Participants</b>	<b>1,447</b>

### MEMBERSHIP

<b>Total Membership</b>	<b>26,073</b>
Active Members (including DROP)	13,005
Service Pensioners	8,566
Disability Pensioners	2,033
Qualified Survivors	2,469

\*This information is unaudited.



# BOARD

## EDUCATIONAL OFFSITE MEETING



**O**n April 5, 2018, the Board of Fire and Police Pension Commissioners (Board) held its tenth annual Educational Offsite meeting at the California Endowment in downtown Los Angeles.

This year's meeting included the following topics and speakers:

- Jim Voytko and Ryan Sullivan, RVK, Inc., presented on how to recognize and monitor risk in the Fund's investment portfolio.
- Paul Angelo, Actuary of Segal Consulting, provided a review of the Plan's funding policy and the history of our asset smoothing method.

- Representatives from the FBI L.A. Cyberhood Watch Team covered cybersecurity trends and the latest cyber threats, including business email compromise, ransomware, and data breaches.
- Steve Vernon, Rest-of-Life Communications, provided practical strategies and ideas to enhance a person's finances, health, and lifestyle for their retirement years.
- Ray Ciranna, General Manager of LAFPP, provided an update of the Plan, including benefits administered, membership changes, and financial data.

The educational offsite meeting was initiated by the Board in 2008. At that time, the Board wanted to gain a better understanding of upcoming investment issues that would come before them in an environment conducive to learning. The Board and staff agreed on the importance of education and institutionalized an annual offsite meeting beginning in January 2009. The Board offsite meeting was initially focused on investment issues, but it evolved to emphasize a variety of issues affecting the Plan.

In May 2018 the Board elected to discontinue the separate, offsite educational meeting. This will allow the Board to remain focused on the important issues coming before them. The Board will continue the practice of conducting educational sessions during regular Board meetings, and staff may recommend reinstating the offsite educational meeting if a need is identified.



For more information on prior educational sessions or the Board of Fire and Police Pension Commissioners, please visit [www.lafpp.com/board](http://www.lafpp.com/board).

The Board meetings are normally held on the first and third Thursdays of each month at 8:30 AM, in the Sam Diannitto Boardroom located at 701 East 3rd Street, Suite 400, Los Angeles 90013. A valid form of picture identification (e.g., a driver’s license, City-issued ID, or military ID) is required to enter the building.



## BOARD DIRECTORY FISCAL YEAR 2017-2018

COMMISSIONER	APPOINTED/ELECTED	TERM EXPIRATION
Ruben Navarro, President	Elected by Active Fire Members	June 30, 2022
Corinne T. Babcock, Vice President	Appointed by the Mayor	June 30, 2019
George V. Aliano	Elected by Retired Police Members	June 30, 2019
Kenneth E. Buzzell	Elected by Retired Fire Members	June 30, 2020
Adam Nathanson	Appointed by the Mayor	June 30, 2020
Brian Pendleton	Appointed by the Mayor	June 30, 2023
Pedram Salimpour, MD	Appointed by the Mayor	June 30, 2022
Belinda M. Vega	Appointed by the Mayor	June 30, 2021
Robert von Voigt	Elected by Active Police Members	June 30, 2020

For additional Board information, please visit [www.lafpp.com/board](http://www.lafpp.com/board).



# 2018 CALENDAR

## HOLIDAY SCHEDULE

July 4	Independence Day
September 3	Labor Day
October 8	Indigenous Peoples Day
November 12	Veterans Day (observed)
November 22-23	Thanksgiving Holiday
December 25	Christmas Day

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

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## BOARD MEETINGS

July 19	October 4 & 18
August 2 & 16	November 1 & 15
September 6 & 20	December 6 & 20

Please check the *Board of Administration* page of [lafpp.com](http://lafpp.com) for meeting information.



Our staff is available to assist you Monday through Friday (excluding 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 (52377), please enter the extension number as detailed below.

## DEPARTMENT DIRECTORY

### ACCOUNTING

(213) 279-3040  
(toll-free ext.: 93040)  
(213) 628-7782 (Fax)

- Form 1099-R (current and prior tax years)
- Workers' Compensation Recapture (balances due, offset inquiries, etc.)

### COMMUNICATIONS & EDUCATION

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

- Annual Report
- MyLAFPP
- Newsletters
- Social Media (e.g., Facebook, Twitter)
- Website Updates

### DISABILITY PENSIONS

(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 and Processing
  - DROP Member Beneficiary Designation
- Service and Deferred Pension Inquiries and Processing

### MEDICAL & DENTAL BENEFITS

(213) 279-3115  
(toll-free ext.: 93115)  
(213) 628-7782 (Fax)

- Health and Dental Insurance Subsidies
- Health Insurance Premium Reimbursement Program

- Medicare Part B Reimbursement
- Year-to-Date Insurance Deduction Totals

### RETIREMENT SERVICES

(213) 279-3125  
(toll-free ext.: 93125)  
(213) 628-7716 (Fax)

- BPP Web Passport
- Post-Retirement Marriage Dissolutions
- Retired Member Records and Information
  - Change of Address
  - Cost of Living Adjustments
  - Direct Deposit
  - Pension Verification Letters (for home loans, etc.)
  - Tax Withholding
- Retired Member and Qualified Survivor Deaths
- Survivor Benefit Purchases – Post-Retirement Marriages/Domestic Partnerships
- Survivor Pensions

## CONTACT US

<b>Address</b>	701 East 3rd Street Suite 200 Los Angeles, CA 90013
<b>Main</b>	(213) 279-3000
<b>Fax</b>	(213) 628-7716
<b>Toll Free</b>	(844) 88-LAFPP (52377) (For calls originating inside the USA only.)
<b>TDD</b>	(213) 628-7713
<b>Email</b>	pensions@lafpp.com
<b>Website</b>	www.lafpp.com



**Los Angeles Fire & Police Pensions**

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