

pension perspectives

ACTIVE/DROP MEMBER NEWSLETTER

General Manager's Message

Greetings! I would like to introduce myself to all of you as the new General Manager of Fire and Police Pensions. It is my pleasure to serve you all in this new and exciting role. I know many of you are aware of the challenges in selecting a new general manager. I bring to the Department my 13 years of experience in working in the Office of the City Administrative Officer acting in various capacities including the Interim CAO and Executive Officer over the past six and one-half years. As such, I directed over 100 staff members in several areas including budgeting, debt issuance, technology, compensation, pensions and capital management. I also have worked closely with the Mayor and the City Council, along with all of the other department heads. Part of my success has been my ability to collaborate with other departments and staff to resolve issues and conflicts to achieve results. It is this experience that I bring to the Department in carrying out its mission, *"To advance the health and retirement security of those who dedicate their careers to protecting and serving the people of Los Angeles."* I want all of you to know that I am absolutely committed to protecting your benefits and serving the needs of the System and its members.



Raymond P. Ciranna

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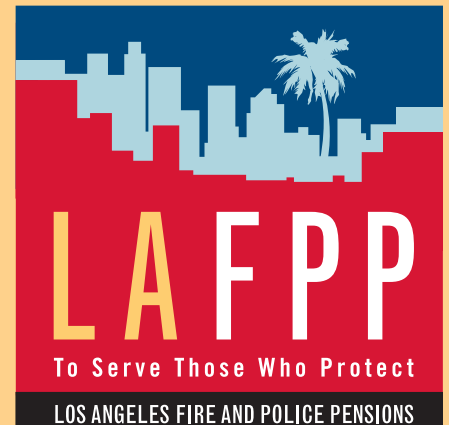
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ABOUT LAFPP

QUARTERLY REVIEW

Fast Facts!

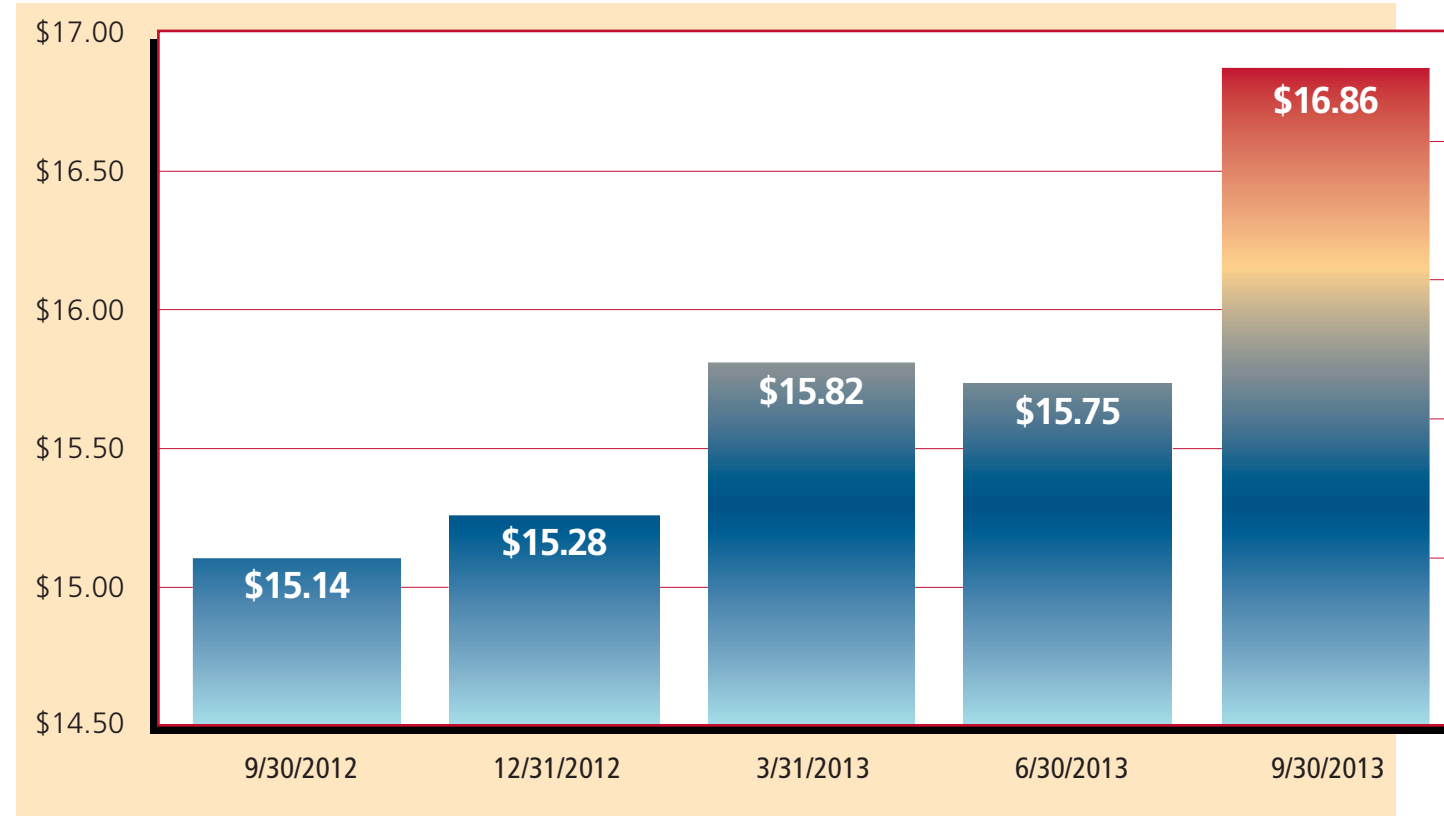
As of September 30, 2013:

Membership	
Total Membership	25,631
Active Members (including DROP)	12,983
Service Pensioners	7,940
Disability Pensioners	2,254
Qualified Survivors	2,454

DROP Program	
Total Entries – FY thru 9/30/13:	52
Fire	10
Police	42
Port Police	0
Total Exits – FY thru 9/30/13:	73
Fire	23
Police	49
Port Police	1
Total Current Participants	1,158

Investment Portfolio Progress

Market Value (in billions)



The information provided above is unaudited. More information for this period is available on our website, www.lafpp.com, from the *About LAFPP* link, (located in the top right corner of the web page). Information for the quarter ending December 31, 2013 will be available online by the end of January.

Requesting a Contribution or Divorce Calculation Letter

We often receive requests from members for letters detailing their contributions, either because they are applying for a loan or they need information for their dissolution proceeding. Since this information is confidential, the member must submit a **signed, written request** containing the following information:

Contribution Letter	Divorce Calculation Letter
<ul style="list-style-type: none"> • Full Name of Member • Last 4 Digits of Social Security Number • Employing Department • Daytime Telephone Number • Current Mailing Address 	<p>Same information as required for a <i>Contribution Letter</i> and...</p> <ul style="list-style-type: none"> • Date of Marriage • Date of Separation <p>Note: A request for a Divorce Calculation letter may be submitted by the member's spouse or either party's attorney, provided that it is accompanied by the member's signed consent or acknowledgement. LAFPP is also required to honor a subpoena for such information.</p>

Submit the request by mail, email or fax as follows:

Mail Los Angeles Fire and Police Pensions
Attn: Active Member Services
360 E. Second Street, Suite 400
Los Angeles, CA 90012

Email pensions@lafpp.com

Fax (213) 978-4450

Contribution letters will be processed within 3 to 5 business days upon receipt of the request; and 7 to 10 business days for Divorce Calculation letters. For questions concerning these requests, please call Active Member Services at (213) 978-4522.

General Manager's Message

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Pension Reform – Still an Issue

You may recall that former Mayor Riordan withdrew his ballot initiative last year. However, pension reform is still an issue. On November 12, 2013, San Jose Mayor Chuck Reed and four other California mayors submitted a proposed state ballot initiative (AG# 13-0043), known as "The Pension Reform Act of 2014" to the Office of the Attorney General. This initiative is a slightly amended version that replaces a former, identically titled submission made on October 15, 2013 (AG# 13-0026).

The initiative seeks to amend the contract clause of the California Constitution to provide the flexibility to all California public employers, including the City of Los Angeles if they so choose, to reduce pension benefits of current employees going forward. The proponents are aiming to qualify the initiative for the November 2014 General Election. As of this writing, the Attorney General is scheduled to provide an official title and summary to the Secretary of State by January 3, 2014. The proponents will then have a maximum of 150 days to obtain the 807,615 signatures required to qualify the proposal for voter approval. Please be assured that the LAFPP Board

of Pension Commissioners, management, staff and the labor organizations are reviewing the proposal and monitoring its status. We will post updates to www.lafpp.com, as more information becomes available.

Market Return of 13.01%

On a positive note, our preliminary, unaudited return for fiscal year 2012-13 was 13.01%, well above our established, long-term discount rate (or "actuarially assumed rate of return") of 7.75%. This discount rate is the long-term return needed to fund our current and future pension obligations. The 13.01% return increased our fund value to \$15.75 billion in assets as of June 30, 2013. This is wonderful news as we continue to rebuild our portfolio after sustaining significant losses in the 2008-09 Great Recession.

Once again, I appreciate this opportunity to serve you and am available if you have any questions or need assistance. I can be reached by email at ray.ciranna@lafpp.com or phone at (213) 978-4550.

Sincerely,
Raymond P. Ciranna
General Manager

Internal Revenue Code Section 415(b) & Your Pension Benefit

Highly compensated members who have accrued significant pension benefits, and/or relatively high DROP account balances, may be subject to a limit imposed by Section 415(b) of the Internal Revenue Code (IRC) when they retire.

This federal provision limits the dollar amount of pension benefits that a tax-qualified defined benefit pension plan, such as LAFPP, can pay an individual each year. The dollar limit is adjusted by the Internal Revenue Service (IRS) on an annual basis. The maximum amount for calendar year 2013 is \$205,000.

The City's Excess Benefit Plan

In light of this limitation, the City established an Excess Benefit Plan (EBP) to allow those who are impacted to receive their full pension benefit.* In this case, the member would receive two monthly payments to equal his/her total monthly pension benefit:

1. LAFPP would pay the member the portion of his/her pension up to the maximum amount allowed by the IRC Section 415(b) limit; and
2. The Office of the City Controller would pay the remaining amount in excess of the limit from the EBP.

DROP Members – Your total annual pension benefit consists of your accrued pension benefit and an “annuitized” calculation of your final DROP account balance. If this total amount exceeds the IRC Section 415(b) limit, a portion of your accrued pension benefit will be paid from the EBP as noted above. **Please note that this annuitized DROP calculation does not affect distribution of your DROP account – you will still receive the proceeds according to your distribution election (rollover and/or lump sum).**

As the IRS adjusts the IRC Section 415(b) limit annually, LAFPP will conduct an annual review to determine if a member will continue to receive a portion of his/her benefit from the EBP.

EBP and Tax Liability

Payments made from the EBP are treated as wages. Therefore, members impacted by the IRC Section 415(b) limit will receive two tax reporting statements

at the end of the year – a Form 1099-R for pension payments made by LAFPP and a Form W-2 for payments made from the EBP. For questions regarding specific tax liability, members are encouraged to consult their own tax advisor who is familiar with their particular financial circumstances.

IRC Section 415(b) May Not Impact You

Only a small number of LAFPP pensioners are receiving payments from the EBP, as the provision typically affects relatively higher compensated members. For example, if your monthly pension benefit is estimated to be \$13,000 or more, or your DROP account balance is projected to be \$650,000 or more, you may be impacted.

Determination of whether your pension benefit will be subject to the IRC Section 415(b) limit cannot be made until you retire/exit DROP. We will contact you if you are impacted by this limit. For questions, please contact the Retirement Services Section at (213) 978-4495.

* The City has not established an EBP for Tier 6.



Registering Your Domestic Partner with LAFPP

Declaring a domestic partnership with LAFPP may qualify your domestic partner for a survivorship pension in the event of your death, provided all other eligibility requirements are met – refer to “Who Receives a Pension When I Pass Away” on page 6 for more information. To file with LAFPP, same-sex or opposite-sex couples must submit a signed, confidential Declaration of Domestic Partnership Form. **An affidavit filed with the Personnel Department is not sufficient to establish a domestic partnership for pension benefit purposes.***

Requirements for Domestic Partners

As of January 2012, domestic partners are no longer required to share a common residence or be jointly responsible for each other's basic living expenses. In addition, minors may also enter into domestic partnerships as noted below. The LAFPP Declaration of Domestic Partnership has been updated to reflect these changes.

Domestic partners must meet all of the following requirements:

- Not be married or a member of another domestic partnership,
- Not be related by blood,
- Be at least 18 years of age or obtain a court order granting permission to the underage person to enter into a domestic partnership, and

- Be capable of consenting to the domestic partnership.

The declaration becomes effective on the day it is received by LAFPP. A confirmation letter containing the effective date of the declaration will be sent to the member.

More information regarding domestic partnerships is available at www.lafpp.com under the *Plan Details* box. A Declaration of Domestic Partnership may be printed from the *Forms* box. For questions regarding domestic partnerships, please contact Active Member Services at (213) 978-4522.

* LAFPP Recognizes State-Registered Domestic Partnerships

In lieu of filing an LAFPP Declaration of Domestic Partnership, a domestic partnership registered with the State of California may be accepted for pension benefit purposes. This partnership is governed by state law and establishes a relationship which, for most purposes, is treated the same as a marriage. As a result, this partnership establishes community property interest in the LAFPP member's pension contributions and other pension benefits. For more information, please visit the California Secretary of State's website, <http://www.sos.ca.gov/dpregistry/>.

Who Receives a Pension When I Pass Away?



The information in this article will help answer this question and assist you with planning financially for your survivors in the event of your death.

Types of Qualified Survivors

In the event of your death, the following survivors may be eligible for a Survivorship Pension. The criteria below are used to determine whether a survivor qualifies for LAFPP benefits.

	Active Member Death	Retired Member Death
A Surviving...	...qualifies if...	...qualifies if...
Spouse	<ul style="list-style-type: none"> Married to the member on the date of member's death. <p>Note: If the member's death is nonservice-connected, the marriage must also be in effect at least one year prior to the death.</p>	<ul style="list-style-type: none"> Married to the member on the date of member's death, and At least one year prior to the effective date of the member's Service Pension or Nonservice-Connected Disability Pension, or On the effective date of the member's Service-Connected Disability Pension.
Domestic Partner <i>(In lieu of a spouse)</i>	<ul style="list-style-type: none"> Declared with LAFPP or registered with the state on the date of the member's death. <p>Note: If the member's death is nonservice-connected, the domestic partnership must also be in effect at least one year prior to the member's death.</p>	<ul style="list-style-type: none"> Registered with the state or declared with LAFPP on the date of the member's death, and At least one year prior to the effective date of the member's Service Pension or Nonservice-Connected Disability Pension, or On the effective date of the member's Service-Connected Disability Pension.
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 <i>(Only if there are no other qualified survivors at the time of the member's death)</i>	<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 survivorship pension. <p>Note: The pension ceases once the parent can pay his/her necessary living expenses on his/her own.</p>	

Notes for Survivor Pension Benefits (page 7)

¹ **Tier 2** – Since all remaining active members of Tier 2 have 25+ years of service, the survivor benefits that would be payable for the death of a member with fewer years of service are not detailed.

² **NPB** – Normal Pension Base is the final, monthly salary the member received at date of death or effective date of retirement.

³ **FAS** – Final Average Salary is the average monthly salary a Tier 3 - 5 member received for 12 consecutive months; or 24 consecutive months for a Tier 6 member.

⁴ **Active Member Nonservice-Connected Death Benefit** – Qualified Survivor is only eligible if member had 5+ years of service, otherwise the Basic Death Benefit is payable.

Qualified Survivor Pension Benefits

Qualified Surviving Spouse/Domestic Partner Pension Benefit

Your qualified surviving spouse or domestic partner receives a life-long benefit based on your tier, membership status and type of death. The benefits are as follows:

Type of Death	Active Member			
	Tier 2 ¹	Tiers 3 & 4	Tier 5	Tier 6
Service-Connected Death	55% of NPB if member had 25+ years of service. ²	75% of FAS. ³	75% of FAS. ³ Former Tier 2: 75% of member's NPB. ²	80% of FAS. ³
Nonservice-Connected Death	Same pension member would have received, not to exceed 55% of NPB if member had 20+ years of service. ²	30% of FAS, or 80% of the pension the member would have received, not to exceed 40% of FAS if Tier 3 member had 10+ years of service or Tier 4 member had 20+ years of service. ^{3,4}	30% of FAS, or 40% if member had 20+ years of service. ^{3,4} Former Tier 2: See "Tier 2" benefits.	50% of FAS. ^{3,4}
Type of Death:	Retired Member			
	Tier 2 ¹	Tiers 3 & 4	Tier 5	Tier 6
After Service Retirement	Same as member's pension, up to 55% of NPB. ²	60% of member's pension.	60% of member's pension. Former Tier 2: See "Tier 2" benefits.	70% of member's pension.
After Service-Connected Disability Retirement	55% of NPB if member had 25+ years of service. ²	60% of member's pension, or 75% of FAS if death occurs within three years of pension effective date and is due to the service-connected disability. ³	60% of member's pension, or 75% of FAS if death occurs within three years of pension effective date and is due to the service-connected disability. ³ Former Tier 2: See "Tier 2" benefits.	80% of member's pension, or 80% of FAS if death occurs within three years of pension effective date and is due to the service-connected disability. ³
After Nonservice-Connected Disability Retirement	40% of highest monthly salary as of member's retirement for basic rank of PO III or FF III, and the highest length of service pay.	60% of member's pension.	60% of member's pension. Former Tier 2: See "Tier 2" benefits.	70% of member's pension.

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Who Receives a Pension When I Pass Away?

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Qualified Minor or Dependent Child Benefits

These benefits are paid for your qualified surviving children **in addition** to those paid to your qualified surviving spouse/domestic partner. The amount is based on a percentage of the spouse/domestic partner benefit – one child receives 25%, two children split 40% and three or more children split 50%. The total benefit paid to the spouse/domestic partner and children may be limited as determined by the member's tier. **If there is no qualified surviving spouse/domestic partner, the qualified minor(s) or dependent child(ren) receives the benefit that would have been paid to the spouse/domestic partner.**

Qualified Dependent Parent Benefits

This benefit is equal to the amount that would have been paid to your qualified surviving spouse/ domestic partner. **The benefit is payable if the dependent parent is the only qualified survivor at the time of your death.**

Death of a DROP Member

DROP members are considered retired for purposes of determining survivorship benefits. Qualified survivors of DROP members are entitled to the benefit listed in the table for *Retired Member – Death After Service Retirement*. In addition to this monthly benefit, the funds accrued in the member's DROP account will be paid to the named DROP beneficiary.

If the DROP member's death is service-connected, the qualified surviving spouse/domestic partner may instead elect to forfeit the DROP account, and receive the benefit listed in the table for *Active Member – Service-Connected Death*.

More Information...

Additional details on survivor benefits, and the steps survivors should take in the event of your death are available in the **Survivor Benefits Handbook**. This booklet is available online at www.lafpp.com, from the *Qualified Survivors* box on the left – an updated version will be available in January 2014.

Attention Police: "Retired" ID Cards and Badges are Issued by the LAPD Retirement Counselor

Are you getting ready to retire/exit DROP? If so, when you meet with your LAPD Retirement Counselor, don't forget to inquire about obtaining a "retired" ID card and badge. As a reminder, you should contact your counselor 3 to 6 months prior to your planned date of retirement. Contact Oscar Moreno or Medardo Carranza for more information at (213) 486-6610.

Any News on the DROP Study or a Tier 6 Transfer?

As of this writing...

The DROP Program study is in progress. Once the study is complete, your labor organization will negotiate any changes to the program with the City. **Anyone who enters DROP prior to the effective date of any changes will not be subject to those changes.**

Meanwhile, the study for a possible Tier 6 Transfer Period will resume once the DROP study is complete.

We will post updates on these issues to our website, www.lafpp.com, as they become available. Meanwhile, you may contact your labor organization for more details on these issues, as they negotiate the provisions with the City.

Board Updates and Information

Newly Appointed Commissioner

On September 17, 2013, Emanuel Pleitez was appointed to the Board by the Mayor to serve a five-year term ending June 30, 2018. Commissioner Pleitez fills the vacancy created by former Commissioner, Pedram Salimpour.

Welcome Commissioner Pleitez!

Election of Board Officers

An election of officers is held during the Board's last meeting in July each year. On July 18, 2013, the Board elected Commissioners Ruben Navarro and Gregory N. Lippe as the new President and Vice President, respectively.

Commissioner Navarro was first elected to serve on the Board in November 2009 by active Fire members, and later re-elected to a second term in May 2012. This is his first time serving as Board President. Commissioner Lippe was first appointed to the Board by the Mayor in April 2012. This is his first time serving as Vice President.

Congratulations Commissioners Navarro and Lippe!

Board Directory

Commissioner	Appointed/Elected	Term Expiration
Ruben Navarro, President	Elected by Active Fire Members	June 30, 2017
Gregory N. Lippe, Vice President	Appointed by the Mayor	June 30, 2017
George V. Aliano	Elected by Retired Police Members	June 30, 2014
Sam Diannitto	Elected by Retired Fire Members	June 30, 2015
Dean Hansell	Appointed by the Mayor	June 30, 2015
Wayne Moore	Appointed by the Mayor	June 30, 2014
Emanuel Pleitez	Appointed by the Mayor	June 30, 2018
Belinda M. Vega	Appointed by the Mayor	June 30, 2016
Robert von Voigt	Elected by Active Police Members	June 30, 2015

The Board normally meets on the first and third Thursdays of the month at 8:30 am at the LACERS facility, in the Los Angeles Times Building: 202 W. First Street, Ste. 500, Los Angeles, CA 90012. Most meetings, including special meetings, are from 1 to 4 hours in duration. More information on the Board's schedule and agendas is available online at www.lafpp.com, from the Board of Administration box.

Deferred Compensation Enhancements Make for Easier Retirement Planning/ Account Management

Submitted by the City of Los Angeles Deferred Compensation Plan

In November 2013, the City's Deferred Compensation Plan introduced a new website design (www.cityofla457.com) and two new tools for managing your account and projecting future retirement income. These are valuable resources for effectively overseeing your retirement assets and planning for the future. Here's a brief review of key changes.

Retirement Income Projection Calculator

Your pension and the Deferred Compensation Plan work in combination to provide you with retirement income security. But how much do you need? How much are you on track to have? And how does that compare to your working pay?

Answers are available in the Plan's new retirement income projection calculator. The calculator provides an illustration of the potential combined income value of your LAFPP benefit and Deferred Compensation Plan account. It further indicates what percentage of working pay you're living on (your "lifestyle" income) that your projected income will be able to replace.

Your ideal target is an income replacement percentage of 100% or more, so you don't experience a reduction in your standard of living when you retire. The calculator indicates how close you are to achieving this based on how many years you plan on working, current saving patterns, and other factors.

The results can help you with decisions about how much to save, whether to save pre-tax or post-tax dollars, and how to invest – crucial factors impacting the long-term results for your account. The calculator is designed for you to play with frequently. Changing different variables produces different results. The more scenarios you play with, the more opportunities you may discover. You can give it a try by logging on to your account and clicking on the "Project My Retirement Income" tile.

"How Am I Doing?" Account Management Tool

Deferred Compensation is likely to be the biggest savings account you will accumulate in your lifetime.

But life gets busy and it can be hard to keep track of what's necessary to keep your account in good standing. The Deferred Compensation Plan is helping to make this easier for you by creating a new "How Am I Doing" checklist web tool. The tool is simple to use and asks you a few basic questions about:

1. Retirement Income Target (your retirement income calculator results)
2. Contribution Amount
3. Tax-Advantaged Saving Choices
4. Investment Choices
5. Distribution Plan
6. Beneficiary Designation

If you're unsure or need further information, or want to make a change, the tool makes it easy to obtain relevant materials or find out where to go to process a transaction. Try it out by logging into your account and clicking on the "How Am I Doing" tile.

Regularly reviewing your account online is key to being able to take advantage of these tools and obtain other valuable information. If you don't currently have or remember your username and password to access your account, you have a few options:

- Call the Plan's toll-free line at (888) 457-9460 and request set-up assistance from a customer service representative, or
- Visit the Plan website at www.cityofla457.com and click on the "Forgot Username or PIN?" link, which will guide you through the process of obtaining the information, or
- Visit the local Plan Service Center at City Hall, Room 867, M-F from 8:00 a.m. to 4:00 p.m., and request assistance from a local representative.



contact information & more

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.

Department Directory

Active Member Services (213) 978-4522

- Annual Member Statements
- Beneficiary Designations
- Contribution Accounts
- Dissolution-of-Marriage Information
- Domestic Partnership Forms
- Refund of Contributions
- Request to Purchase Service Credit
 - Lost Service Time
 - 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
- 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

Medical & Dental Benefits (213) 978-4560

- Information on the Retiree Health and Dental Subsidy Program

Retirement Services Section (213) 978-4495

- DROP – Information on the Deferred Retirement Option Plan
 - DROP Entry/Exit Inquiries and Processing
 - DROP Member Beneficiary Designations
- Service and Deferred Pension Inquiries and Processing
- Retired Member Deaths – Survivor Pensions
- Retired Member Records and Information



Other Ways to Contact Us

- Main** (213) 978-4545
- Fax** (213) 978-4450
- TDD** (213) 978-4455
- Email** pensions@lafpp.com
- Website** www.lafpp.com
- Address** 360 E. Second St. Suite 400 Los Angeles, CA 90012
- Mail Stop** 390

Upcoming Important dates & events

Holiday Schedule:

- Jan 1 – New Year's Day
- Jan 20 – Martin Luther King Day
- Feb 17 – Presidents' Day
- Mar 31 – César Chávez Day
- May 26 – Memorial Day

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

Board & Committee Meetings:

- Jan 16
- Feb 6 & 20
- Mar 6 & 20
- Apr 3 & 17
- May 1 & 15

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



Los Angeles Fire & Police Pensions
Mail Stop #390
360 East Second Street
Suite 400
Los Angeles, CA 90012

Have You Checked Out Our FAQ Section Online?

The *FAQ* section of our website is a great resource to get an answer to many pension-related questions any time of the day! You can find answers to questions like which bonuses are pensionable, how your pension impacts your Social Security benefit, what happens if you are promoted, demoted, terminated or disabled while in DROP and much more.

You can access the link to the *FAQ* section from the upper right-hand corner of any page from our website, www.lafpp.com. This section is periodically updated with more questions and answers!

June 30, 2013 Annual Actuarial Valuation

The annual actuarial valuation of the Plan's pension and retiree health benefits for the fiscal year ending June 30, 2013 is being finalized. The valuation will determine the funding status as of June 30, 2013 and calculate the City's contribution rate for the next fiscal year beginning July 1, 2014. The report will be posted to the *Financial Reports* section of our website, www.lafpp.com, as soon as possible, but no later than January 2014.