

JUNE 2023

PENSION PERSPECTIVES

Los Angeles Fire & Police Pensions Retired/DROP Member Newsletter

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2023 COST OF LIVING ADJUSTMENT IS 5.1%

The Cost-of-Living Adjustment (COLA) is 5.1% for 2023 and was approved by the Board of Fire and Police Pension Commissioners on April 6, 2023. The COLA will be effective July 1, 2023, and all eligible pensioners and Deferred Retirement Option Plan (DROP) participants will receive an increase beginning with the pension payment/DROP account deposit dated July 31, 2023. For new pensioners and DROP entrants in Tiers 3-6, the first year's COLA is prorated based on the number of complete months since the pension effective date, therefore these members may not receive the full 3.0%.

- Tiers 1 & 2 retirees and beneficiaries will receive 5.1%. Tier 2 DROP participants will receive 3.0%.
- Tiers 3 & 4 retirees, beneficiaries, and DROP participants will receive up to 3.0%.
- Tiers 5 & 6 retirees, beneficiaries, and DROP participants will receive up to 3.0% and the remaining 2.1% will be stored in the COLA bank*, which can be applied in future years when the CPI is below 3%.

*Must have retired or entered DROP with a pension effective date prior to June 2, 2023, in order to have an available COLA bank balance.

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JUNE 2023

MESSAGE FROM THE General Manager



Having served as the Interim General Manager since September 2022, I am extremely pleased to announce that in January I was selected by the Board as General Manager of Los Angeles Fire and Police Pensions. The selection was confirmed in March by the City Council and Mayor. Following my selection and confirmation, I have appointed our new Assistant General Managers, Greg Mack (Pensions Division) and Myo Thedar (Administrative Operations Division), and the search for a new Chief Investment Officer is in progress.

Included in this newsletter is essential information on the cost-of-living adjustment (COLA) effective July 1, 2023. The featured article on the COLA describes in detail the cost-of-living increase based on your respective pension tier. Another area of particular interest is the article on the 2023 Non-Medicare Retiree Health Subsidy Increase, as it provides a summary of the information and considerations in the Board's decision-making process.

Our continuing commitment is to focus on protecting the retirement benefits you have all earned and administering the system in innovative, more efficient ways. If you have any questions or comments, please contact us at (213) 279-3000 or via email at pensions@lafpp.com.

Respectfully,

Joe Salazar, CEBS
General Manager

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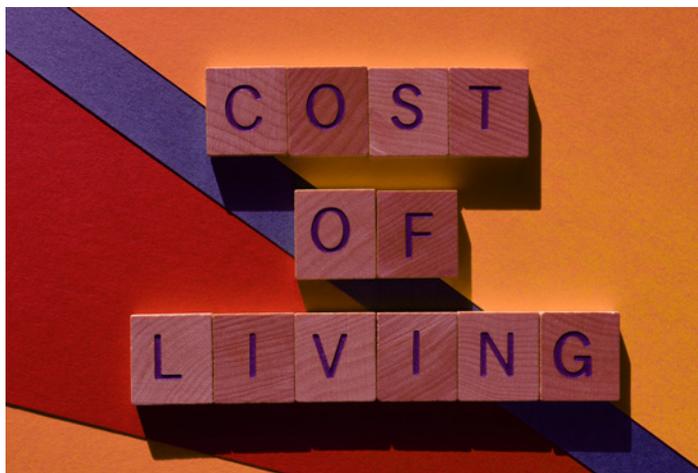


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2023 COST OF LIVING ADJUSTMENT IS 5.1%

CONSUMER PRICE INDEX/BUREAU OF LABOR STATISTICS

The COLA is based on the annual change in the Consumer Price Index (CPI) as published by the U.S. Bureau of Labor Statistics (BLS). Pursuant to the City of Los Angeles Charter/Administrative Code, the 2023 COLA was calculated based on the Los Angeles-Long Beach-Anaheim area using a 12-month period from March 2022 through February 2023.



HOW DOES THIS AFFECT LAFPP PENSIONERS?

This is an example of how a monthly pension benefit of \$6,386 would be affected by this year's COLA of 5.1%:

For Tiers 1-2

If 5.1% of \$6,386 = \$325.69
 (\$6,386 x 0.051)

Then the monthly pension benefit increases to \$6,711.69
 (\$6,386 + \$325.69)

For Tiers 3-6

If 3.0% of \$6,386 = \$191.58
 (\$6,386 x 0.030)

Then the monthly pension benefit increases to \$6,577.58
 (\$6,386 + \$191.58)



Questions?

For questions regarding the COLA, please contact the Retirement Services Section at (213) 279-3125, (844) 88-LAFPP, ext. 3125, or via email at rs@lafpp.com.

For detailed information on the calculation of the CPI, please visit the BLS website at www.bls.gov/cpi or call (202) 691-7000.



2023 NON-MEDICARE RETIREE HEALTH SUBSIDY INCREASE

Effective July 1, 2023, the new non-Medicare retiree health subsidy maximum is \$2,169.79 per month. This subsidy maximum is applicable to retired members who are either under the age of 65 or age 65+ enrolled in Medicare Part B only. For retired members age 65+ with both Medicare Parts A & B and enrolled in a multi-party (2-party or family coverage) health plan, the amount of subsidy that is applied towards the coverage of your dependent(s) may increase as a result of the new subsidy maximum.

On April 6, 2023, the Board of Fire and Police Pension Commissioners approved a 6% increase to the non-Medicare health subsidy maximum. The approved increase is consistent with the Board's fiduciary duty to all members, both active and retired. The Board considered the following information in determining the subsidy increase:

- Impact to out-of-pocket premium costs for non-Medicare subsidy eligible retirees
- Impact to retirees in multi-party Medicare plans
- Average premium changes among most eligible plans

With the increase to the non-Medicare health subsidy, most eligible members will be fully subsidized or experience a lower out-of-pocket premium deduction on their monthly pension check. In fact, the new maximum amount will fully subsidize all LAFRA, LAPRA, or UFLAC single-, two-party, and some family non-Medicare plan premiums for members with a non-frozen subsidy and at least 25 years of service.

Staff conducted a thorough analysis of the health plan premium increases to develop the subsidy recommendation that was presented to the Board. As part of that analysis, staff reviewed the premium changes for all plans impacted by the non-Medicare subsidy.

The Board has the authority to annually increase the non-Medicare subsidy by up to the lesser of 7% or the actuarial medical trend rate for the upcoming fiscal year. The non-Medicare actuarial medical trend rate applicable to fiscal year 2023-2024 is 7.25%, therefore the Board had the authority to increase the subsidy by up to 7% this year. Over the last five years, the actuarial medical trend, which is used by our actuary to estimate future liabilities in the annual retiree health benefits valuation, has been approved at an average rate of 7.1%, which is well above the average 2% increase in actual premiums of the five most common retiree health plans over the same period.

DO I QUALIFY TO RECEIVE THE NON-MEDICARE SUBSIDY?

The actual increase in subsidy benefit per member is dependent upon eligibility (see page 5) and the retiree's respective health plan premium. The approved increase to the maximum non-Medicare subsidy provides fully subsidized single- and two-party coverage for all eligible pensioners under age 65, with a non-frozen subsidy and 25+ years of service. Family plan premiums may be fully subsidized depending on your health plan administrator. Pensioners who are enrolled in a single-party Medicare health plan are not impacted by the maximum non-Medicare subsidy increase. Qualified survivors are also not impacted by this non-Medicare subsidy increase.

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NON-MEDICARE HEALTH SUBSIDY ELIGIBILITY REQUIREMENTS

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*.
- ✓ Receiving a monthly pension (member has exited DROP).
- ✓ Retired with at least 10 years of service or a Tier 6 member who retired on a service-connected disability pension**.
- ✓ Enrolled in a Board-approved health plan or participating in the Health Insurance Premium Reimbursement (HIPR) Program.

* Retirees who qualify for both Medicare Parts A and B receive the Medicare health subsidy.

** Tier 6 service-connected disability pensioners with less than 10 years of service receive 40% of the maximum non-Medicare health subsidy or 40% of the single-party cost of the retiree's plan, whichever is lower.

CALCULATING YOUR MONTHLY SUBSIDY AMOUNT

Members who retired with 25 or more years of service may qualify for the maximum monthly subsidy of \$2,169.79. Those who retired with 10 to 24 years of service receive 4% of the maximum subsidy for each whole year of service as demonstrated in the chart below.

How to calculate the Non-Medicare Health Subsidy for Retired Members with 10-24 Years of Service

Maximum Monthly Subsidy*	\$2,169.79			
Calculating Your Monthly Subsidy**	Member's Whole Years of Service	x 4%	x Maximum Subsidy Amount	= Monthly Subsidy

* The July 1, 2011 subsidy maximum of \$1,097.41 applies to members with a frozen health subsidy.

** The actual Monthly Subsidy provided may not exceed the premium of the health plan in which the participant is enrolled.

NON-FROZEN HEALTH SUBSIDY

You will receive a health subsidy based on the **NON-FROZEN** maximum amount of \$2,169.79 if you:

- ✓ Retired or entered DROP prior to July 15, 2011
- or**
- ✓ Chose to opt-in during the designated period to contribute 2% of your base salary

FROZEN HEALTH SUBSIDY

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

- ✓ Retired or entered DROP on or after July 15, 2011
- and**
- ✓ Did not opt-in during the designated period to contribute 2% of your base salary



Questions? If you have questions regarding your health subsidy entitlement, please contact the Medical and Dental Benefits Section at (213) 279-3115, (844) 88-LAFPP, ext. 3115, or via email at mdb@lafpp.com. Information is also available on the Retired Members and Qualified Survivors sections of our website at www.lafpp.com.



UPDATE

TAX EXCLUSION BENEFIT FOR RETIRED MEMBERS

REDUCE YOUR TAXABLE INCOME UP TO \$3,000

As a retired Los Angeles firefighter or police officer, under the Pension Protection Act of 2006, you may be able to exclude up to \$3,000 from your annual gross income for certain health and insurance premium payments, which will lessen your tax burden.

If you have health, dental, or long-term care insurance, or are enrolled in Medicare and pay any amount towards your premium, this applies to you. You do not have to qualify for a LAFPP subsidy to take advantage of this benefit, as long as you are retired and enrolled in a plan.

Due to recent changes enacted by the Secure 2.0 Act, any money paid towards qualified health insurance premiums directly by the retiree, on or after December 30, 2022, may now count towards the exclusion. For health plan premiums paid on or before December 29, 2022, the premiums must have been directly deducted from your pension check and remitted to your health plan provider by LAFPP to qualify.

Premiums paid by you from any retirement income source for yourself, your spouse, and your dependents may qualify; including premiums paid by participants of LAFPP's Health Insurance Premium Reimbursement (HIPR) Program.

EXAMPLE:

If your health plan premium is \$2,000/month and your LAFPP health subsidy is \$1,500/month, the \$500 difference that is not covered/subsidized can be excluded from your taxable income.

Only premiums you paid that were not covered by your health subsidy or reimbursement are eligible.

If you are one of our many retirees enrolled in Medicare and pay an additional amount towards your Part B coverage in the form of an Income-Related Monthly Adjustment Amount (IRMAA), this fee payment may be applied towards the tax exclusion.

For assistance with determining the total amount which may be eligible for exclusion, we recommend that you consult with your tax professional. As this is a recent change in Internal Revenue Service (IRS) tax law, we will continue to update you as additional guidance becomes available.

Note: Based on current law, this exclusion is specific to retired public safety officers and is not available to Qualified Surviving Spouses/Domestic Partners.



Need More Information?

More detailed information is available on our website here: www.lafpp.com/post/healthcare-tax-exclusion

If you have any other questions, please contact the Medical and Dental Benefits Section at (213) 279-3115, toll-free at (844) 88-LAFPP (52377), or via email at mdb@lafpp.com.

SURVIVOR BENEFIT PURCHASE PROGRAM



LAFPP offers a *Survivor Benefit Purchase Program*, which allows retired members to purchase a survivor benefit for a spouse you married in retirement or a domestic partner you declared in retirement who is not otherwise qualified for a survivorship under Plan provisions. You must be married or have appropriately filed a domestic partnership declaration with LAFPP at least one year prior to the effective date of your retirement (service pension, non-service-connected disability, or DROP entry) in order for your spouse or domestic partner to be eligible for survivorship benefits as a qualified surviving spouse/domestic partner. Please note that members who receive a service-connected disability pension must be married or have filed a domestic partnership declaration with LAFPP as of the retirement effective date.

The Survivor Benefit Purchase Program offers the option to make a **one-time, irrevocable** election to provide a lifelong Survivor Pension to a spouse or domestic partner who was married/declared less than one year prior to DROP entry or Service/Disability Retirement (see note above regarding service-connected disability retirements).



Interested or Need More Information?

If you are interested in the Survivor Benefit Purchase Program, please submit a Request Information to Purchase Survivor Benefit Form found under the *Forms & Publications* page of our website at www.LAFPP.com.

For questions regarding the Survivor Benefit Purchase Program, you may contact the Retirement Services Section at (213) 279-3125, toll-free at (844) 88-LAFPP, or via email at rs@lafpp.com.

HOW THE PROGRAM WORKS:

- Member selects a percentage (30% - 100%) of his/her pension to be paid to the surviving spouse/domestic partner.
- Member pays the full actuarial cost of providing the benefit by taking an actuarial reduction in his/her monthly pension.
- Upon the member's death, the surviving spouse/domestic partner qualifies for the benefit if:
 1. The survivor is the spouse/domestic partner declared at the time the retired member elected the benefit; and
 2. The death of the retired member is at least one year from the date of the election, unless the death is deemed accidental by the Board of Fire and Police Pension Commissioners.
- If the Spouse/Domestic Partner predeceases the member or they divorce or terminate the Domestic Partnership, the member's monthly pension remains at the lower, adjusted amount.

Note: If the retired member's death occurs less than one year from the date of his/her election and the accidental death exception does not apply, there is no survivor pension benefit payable. Instead, the amount by which the retired member's pension was reduced is paid as a lump sum to the spouse/domestic partner. If both the spouse/domestic partner and the member die during the one-year vesting period and the spouse/domestic partner predeceases the member, then the lump sum is paid to the member's estate.

- The spouse/domestic partner receiving a benefit under this program is not eligible for a health subsidy from LAFPP.
- The payment of a survivor pension benefit under this program does not impact the payment of other survivor benefits paid by LAFPP.

CALIFORNIA PUBLIC RECORDS ACT

The purpose of the California Public Records Act (CPRA) is to increase transparency in governmental bodies and give the public access to information upon request that enables them to monitor the functioning of their government. The CPRA applies to government agencies. Public records are defined as all communications related to a public business retained by any state or local agency regardless of physical form or characteristics, and include writings, pictures, sound or symbols, and electronic records.

Pursuant to the CPRA, Los Angeles Fire and Police Pensions (LAFPP) is required to release information that is not legally exempt from disclosure. Some examples of the types of information that are *subject to disclosure* include the names of members, employing departments, pension and health subsidy amounts, tier membership, and years of service.

Information that is *exempt from disclosure* includes personnel records such as birthdates, home addresses, home telephone numbers, Social Security numbers, medical records, and bank

account numbers. **LAFPP adheres to its policy on the Release of Member Personal Information, which directs staff to withhold information that is exempt from public disclosure when responding to a CPRA request for that information.**

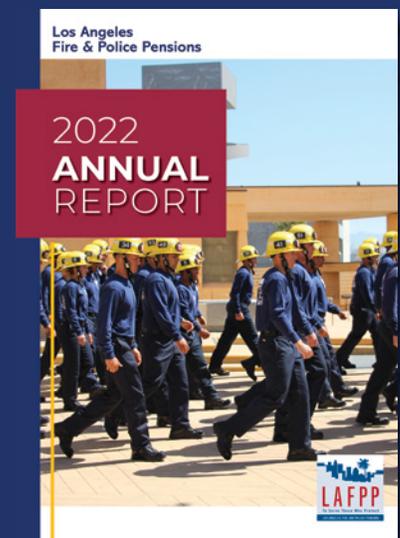
LAFPP occasionally receives requests from members of the public, websites, and the media for Plan information. LAFPP has an obligation to respond to all requests for public records and staff works diligently to provide timely, accurate information to our Plan members, the public, and other stakeholders. These requests are routinely reviewed by the City Attorney's office to ensure the information being released is appropriate for disclosure. LAFPP could face adverse legal consequences if it did not comply with requests under the CPRA.

For questions concerning CPRA requests, please send an email to pensions@lafpp.com or contact the Communications & Education Section at (213) 279-3155.

THE 2022 ANNUAL REPORT IS NOW AVAILABLE ONLINE

LAFPP is pleased to present our *2022 Annual Report*. The LAFPP Annual Report provides financial information, such as the Department's budget summary, asset allocation data, investment performance, actuarial data, and statistical information for the fiscal year ending June 30, 2022. The report also includes a list of milestones since the inception of the Plan, along with a summary of benefits and other provisions that serve as a great reference tool for members of all Tiers.

The 2022 Annual Report is now available on our website lafpp.com, under Forms & Publications, Financial Reports, or by visiting the following link: www.lafpp.com/financial-reports.



BOARD NEWS

Commissioner Raul Perez Appointed to the Board

Effective May 2, 2023, Raul Perez was appointed by Mayor Karen Bass and confirmed by the City Council to serve the remaining term ending June 30, 2023, for the seat vacated by former Commissioner Megan Hernandez.

This is Commissioner Perez’s second appointment to the Board of Fire and Police Pension Commissioners. Commissioner Perez was first appointed by former Mayor Antonio Villaraigosa and served on the Board between September 2009 and April 2013. Congratulations, Commissioner Perez!



BOARD DIRECTORY

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 E. 3rd Street, Suite 400, Los Angeles, CA 90013. Please read the “Important Message to the Public” at the beginning of each meeting agenda for current attendance options and requirements. If you are unable to abide by the requirements as reflected on each agenda, we encourage you to participate virtually.

Commissioner	Appointed/Elected	Term Expiration
Kenneth E. Buzzell, President	Elected by Retired Fire Members	June 30, 2025
Sumi Parekh, Vice President	Appointed by the Mayor	June 30, 2024
Andrea Ambriz	Appointed by the Mayor	June 30, 2026
Rigo Arellano	Elected by Active Fire Members	June 30, 2027
William “Billy” Chun	Appointed by the Mayor	June 30, 2027
Brian J. Churchill	Elected by Active Police Members	June 30, 2025
Michael A. Lawson	Appointed by the Mayor	June 30, 2025
Raul Perez	Appointed by the Mayor	June 30, 2023
Garrett W. Zimmon	Elected by Retired Police Members	June 30, 2024

For additional Board information, please visit www.lafpp.com/board.

OTHER NEWS & INFORMATION



LAFPP QUARTERLY MEMBERSHIP REVIEW

Statistical Facts-As of March 31, 2023*

Membership

Total Membership	26,607
Active Members (including DROP)	12,417
Service Pensioners	10,053
Disability Pensioners	1,617
Qualified Survivors	2,520

DROP Program

Total Entries: Fiscal Year thru 3/31/2023	348
Fire	63
Police	285
Harbor Port Police	0
Airport Police	0
Total Exits: Fiscal Year thru 3/31/2023	348
Fire	112
Police	235
Harbor Port Police	1
Airport Police	0
Total Current Participants	1,460

**This information is unaudited.*

CONTACT INFORMATION & MORE

Our staff is available to assist you Monday through Friday (excluding City holidays) from 7:30 am to 4:30 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.

ACCOUNTING

(213) 279-3040 (toll-free ext.: 3040)
(213) 628-7782 (Fax)
Email: accounting@lafpp.com

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

COMMUNICATIONS & EDUCATION

(213) 279-3155 (toll-free ext.: 3155)
(213) 628-7716 (Fax)
Email: pensions@lafpp.com

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

DISABILITY PENSIONS

(213) 279-3165 (toll-free ext.: 3165)
(213) 628-7782 (Fax)
Email: disability@lafpp.com

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

Toll-Free (844) 88-LAFPP (52377)

DROP/SERVICE PENSIONS

(213) 279-3100 (toll-free ext.: 3100)
(213) 628-7716 (Fax)
Email: dropsp@lafpp.com

- 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.: 3115)
(213) 628-7782 (Fax)
Email: mdb@lafpp.com

- 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.: 3125)
(213) 628-7716 (Fax)
Email: rs@lafpp.com

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





**Los Angeles Fire &
Police Pensions**
701 East 3rd Street, Suite 200
Los Angeles, CA 90013

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CONTACT US

ADDRESS

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Los Angeles, CA 90013

BUSINESS HOURS

Monday - Friday
7:30 AM – 4:30 PM

CONTACT

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

2023 HOLIDAY SCHEDULE

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

JULY 4, 2023
Independence Day

NOVEMBER 10, 2023
Veterans Day

SEPTEMBER 4, 2023
Labor Day

NOVEMBER 23 & 24, 2023
Thanksgiving Holidays

OCTOBER 9, 2023
Indigenous Peoples Day

DECEMBER 25, 2023
Christmas Day

2023 BOARD MEETINGS

- June 1 & 15
- July 6 & 20
- August 3 & 17
- September 7 & 21
- October 5 & 19
- November 2 & 16
- December 7 & 21

Please check the Board of Commissioners section of our website (www.lafpp.com/meetings) for meeting information.