

LACERA

Los Angeles County Employees Retirement Association

**Prospective Transfer Election
to
Contributory Retirement Plan D**



Disclosure Information

Prospective Transfer to Contributory Retirement Plan D

It is important that you read and understand the following information BEFORE you make your decision to transfer prospectively to Plan D.

If you're considering a transfer from Plan E to Plan D, you may already know that there are many differences between the plans. Please consider these differences carefully when making your decision. In addition, LACERA offers two transfer methods: Open Window Plan Transfer and Prospective Plan Transfer. Each method has unique advantages. A brief comparison of the two transfer methods follows:

TRADITIONAL OPEN WINDOW TRANSFER VS. PROSPECTIVE TRANSFER

A traditional Open Window Transfer requires you to purchase and convert all of your Plan E service credit to Plan D before you become eligible to receive Plan D benefits. You will remain a Plan E member until your transfer contract is paid in full.

A Prospective Transfer does not require you to purchase any of your Plan E service credit. You will become a member of Plan D beginning on your effective date of transfer, and you will become eligible for disability and survivor benefits upon meeting certain service requirements. **You will have the option to purchase and convert some or all of your Plan E service credit to Plan D with an Incremental Purchase.** If you elect a Prospective Plan Transfer, you may *not* elect a traditional Open Window transfer for any future transfers.

The table below highlights the major differences between a traditional Open Window Plan Transfer and a Prospective Plan Transfer with Incremental Purchase.

PROSPECTIVE TRANSFER WITH INCREMENTAL PURCHASE	OPEN WINDOW TRANSFER
Cost calculated at a <i>higher rate</i> . Based on age nearest the beginning period of service being purchased.	Cost calculated at a <i>lower rate</i> . Based on age at the beginning of your current uninterrupted membership.
May purchase Plan E service in increments of one or more years.	Must purchase all Plan E service at one time.
Contract periods from one year up to ten years.	Contract periods from one year up to ten years.
May have multiple contracts, but must pay off contracts in the order received.	Only one contract.
Earn Plan D service credit beginning effective date of transfer and become eligible for disability/survivor benefits when Plan D service requirements are met. Any converted service is credited after each incremental contract is <i>paid in full</i> .	Earn Plan D service credit beginning effective date of transfer, but <i>not credited or entitled to Plan D benefits</i> until entire transfer contract is <i>paid in full</i> . You remain a Plan E member until your transfer is completed.

IMPORTANT: If you wish to transfer under the traditional Open Window Transfer method, contact LACERA at 800-786-6464 to request an Open Window Plan Transfer application packet. Do NOT complete the Prospective Plan Transfer Election form in this brochure.

PROSPECTIVE PLAN TRANSFER

If you elect a Prospective Plan Transfer, you will be subject to the following eligibility requirements and plan provisions. Consider this information carefully before making your decision:

Eligibility to Transfer

You are eligible to transfer from Plan E to Plan D if you are actively performing your duties in a full-time or part-time position, or on an authorized paid leave of absence—except a leave of absence during which you are totally disabled and receiving (or eligible to receive) disability benefits under the County’s Long-Term Disability and Survivor Benefits Plan.

Prospective Transfer Limitations

You may only transfer to Plan D. You cannot prospectively transfer or reinstate to Plan A, B, or C, even if you were previously a member of one of those plans.

If you transfer prospectively to Plan D:

- you may not transfer back to Plan E until *three years* from your effective date of transfer to Plan D
- you may not elect a traditional Open Window Transfer in the future; you must continue to use the Prospective Transfer method

Effective Date of Transfer

Your effective date of transfer is the *first day of the month that is at least 30 days after the date LACERA receives your signed Prospective Transfer Election form*. For example, if LACERA receives your transfer form on September 10, your effective date of transfer to Plan D will be November 1.

Earning Plan D Service Credit

When you prospectively transfer to contributory Plan D, you begin earning Plan D service credit as of your effective date of transfer.

Contributions to Plan D

You and your employer pay monthly contributions toward your future retirement from this point forward. Your contributions will be automatically deducted from your paycheck on the 15th of every month. Your contribution rate is based on your age at the birthday nearest your effective date of transfer. See *Plan D Contribution Rates*, page 5.

Optional — Incremental Purchase and Conversion of Plan E Service Credit

Following a prospective transfer to Plan D, you may choose to incrementally purchase and convert some or all of your Plan E service credit to Plan D. You must purchase the service in one-year increments, purchasing the most recent period of service first. Upon completion of payment, your current Plan D contributions will be based on a younger age (your age at the birthday nearest the first date of the service period you purchased). See *Plan D Contribution Rates*, page 5.

You must use before-tax dollars to purchase your Plan E service credit. You may pay your contract with payroll deductions and/or you may roll over or transfer funds from your 401(k), IRA, or other tax qualified plan (except your 457 Plan while you are an active employee).

For a cost estimate of your Prospective Transfer and Incremental Purchase, please visit the *Transfer Calculator* at www.lacera.com or contact LACERA.

DOUBLE ACCOUNT STATUS

Vesting

Vesting entitles you to receive a retirement benefit when you meet the minimum age and service credit requirements under each retirement plan. Following a Prospective Plan Transfer, your service credit earned under each plan is **combined*** to meet the *5-year* vesting requirement for Plan D or the *10-year* vesting requirement for Plan E.

Retiring from Both Plans

As a vested member with double account status, your combined* Plan D and Plan E service credit is used to determine eligibility for a Service Retirement. You must also meet the age requirement for each plan. See below.

Retiring from Plan D

- Age 50 with 10 or more years of combined* County service credit (or 5 active and 5 deferred years)
- Any age with 30 years of combined* County service credit
- Age 70 regardless of years of County service credit

Retiring from Plan E

- Age 55 with 10 or more years of combined* County service credit
- Age 70 regardless of years of County service credit

Deferred Retirement

If you are vested and terminate County service before meeting the minimum age and combined* service credit requirement, you may defer your retirement until:

- You meet the age requirement for each plan, *and*
- You reach the date on which you *would have had* 10 years of combined* County service credit had you remained in service.

IMPORTANT: If you terminate County service with *less than* the 10 years of combined* service credit needed to be vested in Plan E, you forfeit your Plan E service credit and eligibility for a Plan E retirement allowance.

*Reciprocal service credit also may be used to meet service credit requirements for vesting and retirement.

Vesting/Service Retirement Examples:

Years of service	Age	Combined Service	Vested	Service Retirement Now	Needed to Retire From <u>Both</u> Plans
Plan D 5 Plan E 5	52	10 years	Plan D - yes Plan E - yes	Plan D - yes Plan E - no	You may retire from Plan D now and defer your Plan E retirement until you meet the minimum age requirement.
Plan D 3 Plan E 3	55	6 years	Plan D - yes Plan E - no	Plan D - no Plan E - no	You need 4 more years of combined service credit.
Plan D 10 Plan E 2	55	12 years	Plan D - yes Plan E - yes	Plan D - yes Plan E - yes	You may retire from both plans now.
Plan D 3 Plan E 1	35	4 years	Plan D - no Plan E - no	Plan D - no Plan E - no	You need 6 more years of combined service credit and you must meet the minimum age requirements.

SERVICE RETIREMENT — see *Comparison of Retirement Allowances*, page 6

When you are eligible and choose to retire, you will receive a combined retirement benefit from both Plan E and Plan D. The Plan E portion of your allowance will be calculated using your retirement age, your Plan E service credit, and 3-year average salary (Final Compensation). The Plan D portion of your allowance will be calculated using your retirement age, your Plan D service credit, and 1-year average salary (Final Compensation). The Plan E and Plan D allowances are then added together: the total amount is your combined monthly retirement allowance.

The example below illustrates the potential difference in monthly retirement allowance for a member who remains in Plan E and a member who transfers prospectively to Plan D. The example assumes a retirement age of 55, 20 years of total service credit, and \$5,000 Final Compensation.

Plan E Benefit (service credit in Plan E only):	Combined Benefit (service credit in Plan E and Plan D):	
Service Credit 20 years in Plan E	Service Credit 10 years in Plan E	Service Credit 10 years in Plan D
Final Compensation \$5,000	Final Compensation \$5,000	Final Compensation \$5,000
Percentage of Final Compensation 14.99%	Percentage of Final Compensation 7.50%	Percentage of Final Compensation 14.92%
	Plan E monthly retirement allowance = \$375.00	Plan D monthly retirement allowance = \$746.00
PLAN E MONTHLY RETIREMENT ALLOWANCE = \$749.50	COMBINED MONTHLY RETIREMENT ALLOWANCE = \$1121.00	

To estimate your combined retirement allowance with projected Plan E and Plan D service credit, please visit the *Retirement Calculator* at www.lacera.com or contact LACERA.

DISABILITY RETIREMENT

You will be eligible to apply for a *service-connected* disability retirement under Plan D, regardless of the date of injury, once you have either:

- completed two years of *continuous* service as an active Plan D member after your most recent effective date of transfer or, if not continuous,
- *earned* five years of service credit as an active Plan D member after your most recent effective date of transfer.

You will be eligible to apply for a *nonservice-connected* disability under Plan D, regardless of the date of injury, once you have a minimum of five years of County service credit, which may include Plan D, Plan E, or reciprocal service credit, but *must* include one of the Plan D service credit options listed above.

If you apply for and are granted a disability retirement, your allowance will be the greater of:

- approximately 1/3 of your final compensation if *nonservice-connected* or 50% of your final compensation if *service-connected*, or
- an amount equal to the allowance you would have received if you had received a service retirement based on your combined Plan D and Plan E service credit.

SURVIVOR BENEFITS — see *Comparison of Survivor Benefits*, page 7

Upon your death *before* retirement, your surviving spouse or domestic partner will be eligible for a monthly survivor’s allowance *if* you were eligible to retire or you were eligible for a disability retirement as described above. Otherwise, your surviving spouse or domestic partner will not be eligible to receive a monthly survivor’s allowance; he or she will receive a refund of your Plan D contributions and accumulated interest.

If you die *after* retirement, your eligible surviving spouse or domestic partner will be eligible to receive a monthly survivor’s allowance, and the beneficiary you name will receive a one-time \$5,000 lump-sum death benefit.

For further information regarding the provisions of Plan D, including eligibility as a member who prospectively transferred from Plan E to Plan D, please see the Retirement Plan D booklet.

HAVE YOU MADE YOUR DECISION?

If you choose to transfer prospectively, please complete the attached Prospective Plan Transfer Election form, then sign and return it to LACERA in the enclosed reply envelope. Please make a copy for your records. LACERA will notify you by mail of your effective date of transfer to Plan D.

IMPORTANT: Your election to transfer to Plan D cannot be revoked once this form is submitted to LACERA. If you have any questions regarding prospective transfers, please contact LACERA at 800-786-6464.

PLAN D MEMBER CONTRIBUTION RATES

Age	Rate	Age	Rate	Age	Rate	Age	Rate
16	5.01%	27	6.15%	38	7.51%	49	9.23%
17	5.11	28	6.26	39	7.64	50	9.40
18	5.20	29	6.37	40	7.79	51	9.56
19	5.30	30	6.49	41	7.93	52	9.71
20	5.40	31	6.61	42	8.08	53	9.86
21	5.51	32	6.73	43	8.23	54	9.98
22	5.60	33	6.85	44	8.39	55	10.08
23	5.71	34	6.97	45	8.56	56	10.14
24	5.82	35	7.11	46	8.72	57	10.15
25	5.92	36	7.24	47	8.89	58	10.15
26	6.03	37	7.37	48	9.06	59+	10.15

**COMPARISON OF RETIREMENT ALLOWANCES PLAN D & PLAN E
PERCENTAGES OF FINAL COMPENSATION**

(If Member Not Covered Under Social Security As A County Employee)†

Your monthly retirement allowance is based on how old you are when you retire, your years of service credit, and your final compensation. This chart provides a percentage of final compensation for use in comparing what the retirement allowance would be under Plan D and Plan E at various ages, and years of service.

Years Of Service	Age 50		Age 55		Age 60		Age 65	
	Plan D	Plan E	Plan D	Plan E	Plan D	Plan E	Plan D	Plan E
10	11.82%	*	14.92%	7.50%	19.17%	12.02%	24.32%	20.00%
15	17.73%	*	22.39%	11.24%	28.75%	18.03%	36.48%	30.00%
20	23.64%	*	29.85%	14.99%	38.33%	24.04%	48.64%	40.00%
25	29.55%	*	37.31%	18.74%	47.92%	30.05%	60.80%	50.00%
30	35.46%	*	44.77%	22.49%	57.50%	36.05%	72.97%	60.00%
35	—	*	52.23%	26.24%	67.08%	42.06%	85.13%	70.00%
40	—	*	—	—	76.67%	45.07%	97.29%	75.00%
45	—	*	—	—	—	—	100.00%**	80.00%

*Plan E members are not eligible to retire until age 55.

**Plan D members reach 100% of final compensation (the maximum retirement allowance) at age 65 with 41 years, 2 months of service.

†If you were covered by Social Security while employed by the County prior to January 1983, your retirement allowance will be reduced according to the rules governing your plan.

COMPARISON OF SURVIVOR BENEFITS — PLAN D & PLAN E

These charts compare the benefits that are available for your spouse or beneficiary(ies) if you should die before or after your retirement.

PRE-RETIREMENT DEATH BENEFITS

Plan D		Plan E	
Survivor Benefit	Eligible Beneficiary Codes	Survivor Benefit	Eligible Beneficiary Codes
a) Lump sum, or	1, 3, 4	<p>There are no LACERA pre-retirement survivor benefits under Plan E.</p> <p>Plan E members are covered by the County Long-Term Disability and Survivor Benefit Plan.</p>	
b) 65% of member's applicable allowance (100% if service-connected death), or	1		
c) Combination Benefit	1 (eligible spouse only)		

POST-RETIREMENT DEATH BENEFITS

Type of Retirement Allowance	Plan D		Plan E	
	Survivor Benefit	Eligible Beneficiary Codes	Survivor Benefit	Eligible Beneficiary Codes
Unmodified, or	65% of member's allowance (or 100% if service-connected disability)	1	55% of member's allowance	1
Option #1, or	Lump Sum	1, 2, 4	None	None
Option #2, or	100% of member's reduced allowance	1, 2	100% of member's reduced allowance	1, 2
Option #3, or	50% of member's reduced allowance	1, 2	50% of member's reduced allowance	1, 2
Option #4	Customized allowance for 1 or more beneficiaries	1, 2	Customized allowance for 1 or more beneficiaries	1, 2
Death/Burial Benefit	\$5,000 Lump sum	1, 3, 4	\$5,000 Lump sum	1, 3, 4

Eligible Beneficiary Codes: 1-Surviving eligible spouse or eligible children or domestic partner; 2-One who has an insurable interest*; 3-Anybody you name; 4-Estate.

*Every person has an insurable interest in the life and health of: (a) Himself; (b) Any person on whom he depends wholly or in part for an education or support; (c) Any person under a legal obligation to him for the payment of money or respecting property or services, of which death or illness might delay or prevent the performance; (d) Any person upon whose life any estate or interest in him depends.

COMPARISON OF BASIC PROVISIONS – PLAN D & PLAN E

Basic Provisions	Plan D	Plan E
Type of Plan	Contributory	Noncontributory
Member makes cash contributions	Yes	No
Employer makes cash contributions	Yes	Yes
Member vested in	5 years	10 years
Member entitled to a service retirement allowance after	10 years	10 years
Minimum retirement age	50	55
Maximum percentage of final compensation member can receive as retirement allowance	100%	80%
Final compensation based on monthly average of	1 year service	Any 3 years' service
LACERA pays benefits if active member is disabled	Yes	No
County pays benefits if active member is disabled*	Yes	Yes
LACERA pays survivor benefits if active member dies	Yes	No
County pays survivor benefits if active member dies*	Yes	Yes
LACERA pays a % of retirement allowance to survivor when retired member dies	65%	55%
County pays survivor benefits when retired member dies	No	No
May purchase credit for County service prior to membership in LACERA	Yes	No
May purchase credit for non-County service prior to membership in LACERA	Yes	No
Eligible for reciprocity with a reciprocal retirement system	Yes	Yes
Former members may be reinstated to prior contributory retirement plan**	Yes	No
Pension Advance Option permitting coordination of payments for those entitled to Social Security benefits	Yes	No
Cost-of-living increases after retirement	Yes	Yes
Eligible for medical, dental & vision insurance benefits after retirement	Yes	Yes
Life insurance provided by County if member dies in active service*	\$2,000	\$10,000

*County-provided disability, death and life insurance options vary for Megaflex participants. For Megaflex and Long-Term Disability benefits, contact your departmental personnel officer.

**You may redeposit your contributions plus interest and restore all the benefits of your previous plan if you have never been in Plan E.