



Retiree Medical Freeze: Opt In



Police Officer CORINA LEE, Vice President

As you may know, the City Council changed the Los Angeles Administrative Code to freeze the current retiree medical subsidy benefit for members of Los Angeles Fire and Police Pensions (LAFPP) who retire or enter DROP on or after July 15, 2011.

Per this change in the Administrative Code, the maximum non-Medicare subsidy will be frozen at the July 1, 2011, rate of \$1,097.41 per month; and the maximum Medicare subsidy will be frozen at the January 1, 2011, rate of \$480.41 per month.

However, a letter of agreement (LOA) was entered into between the City and the League that eliminates the subsidy freeze for some members. The LOA states there is a dispute whether retiree health benefit increases provided in the Los Angeles Administrative Code are a vested benefit. Nevertheless, the LOA allows members to irrevocably elect to make an additional contribution equal to 2 percent of their regular biweekly base pay on a post-tax basis in exchange for the City agreeing that retiree health subsidy increases are a vested benefit for those members who elect to make the additional contribution. In other words, members who opt in would not be subject to the subsidy freeze.

How to opt in

To opt in, you must submit the election form (available on the League's website) within the 45-day opt-in period from 8:00 a.m., **August 15, 2011, to 5:00 p.m., September 29, 2011**. Your election to opt in becomes irrevocable seven days after you sign the election form.

The election form must be submitted in person, mailed or faxed to:

Los Angeles Fire and Police Pensions
Active Member Services Section
360 E. Second Street, Suite 400
Los Angeles, CA 90012
Fax: (213) 978-4450

Mailed or faxed election forms must be notarized. (Free notarization service is available to League members at the League office.) Mailed forms must be postmarked no later than September 29, 2011. Faxed forms must be received no later than 5 p.m., September 29, 2011. LAFPP's business hours are Monday through Friday, 8 a.m. to 5 p.m.

Opt-in contribution

Your 2 percent contribution will be effective August 15, 2011. It will be based on your regular biweekly base pay, not on the pay you actually receive. This means, for example, any lost service time you accrue in a pay period will not affect the amount of your 2 percent contribution.

Your first contribution will be reflected in your October 19, 2011, paycheck. In addition, this check will also include a back contribution amount of 2 percent of your regular biweekly base pay for the retroactive contribution (see table). All future paychecks, beginning November 30, 2011, will reflect the 2 percent deduction for the corresponding pay period. Per the letter of agreement, the 2 percent contribution will continue in effect until you have made contributions for 25 years, retire or exit DROP, whichever occurs first.

Pay period ending	Regular opt-in rate	Retroactive opt-in rate	Total opt-in rate
October 8, 2011	2%	2%	4%
October 22, 2011	2%	2%	4%
November 5, 2011	2%	2%	4%
November 19, 2011	2%	—	2%

If you are a member of Tier 2, 3 or 5 and you decide to terminate employment before becoming eligible for a pension benefit, your 2 percent opt-in contributions and interest will be refunded to you, along with your pension contributions and interest.

More information and answers to frequently asked questions are available on the LAFPP website on the upper-right-hand side of their home page at www.lafpp.com. The LOA referenced above is included within these frequently asked questions.

If you have questions concerning the opt-in process, please contact the Active Member Services Section at (213) 978-4522. For information on health subsidy programs available to retirees and eligible survivors, you may contact the Medical and Dental Benefits Section at (213) 978-4560. For questions concerning the provisions of the opt-in letter of agreement, please contact your respective labor organization.

Flex spending account open enrollment

Health Care Flexible Spending Accounts (HCFSA) and Dependent Care Reimbursement Accounts (DCRA): these benefits help you put more money in your wallet. The Flex spending account provides additional cost-saving benefits to our members. And now, with online Flex in October for sworn employees, signing up for this plan has never been easier.

This fall, you will have a new way to enroll in Flex benefits: online from any computer with Internet access. It's convenient and gives you flexibility to enroll from work or home.

You will need to go online during annual enrollment — October 1 to October 31 — if you want to:

- Contribute to a HCFSA or DCRA in 2012
- Choose cash-in-lieu, if you have other health coverage

Simple steps to enroll online

1. Go to www.myflexla.com and click on "Enroll in Benefits or Make Changes" from the left navigation bar.
2. Log in by entering your employee ID number and personal identification number (PIN). The first time you log in, your PIN is the last four digits of your Social Security number. You'll be asked to create a new PIN as part of enrolling.
3. Follow the online instructions to make your choices.

If you need help logging in, call the Benefits Service Center at (800) 778-2133 and press "0#" two times to speak to a Benefits Service representative.

Look for more details in the enrollment package that will be mailed to your home in late September.

Annual enrollment: October 1 to 31 is your opportunity to enroll in the Flex benefit accounts that offer tax savings for 2012.

You can set aside pre-tax dollars in a HCFSA for medical, dental and vision expenses not paid by any plan. You can contribute to a DCRA to pay for day care for a child up to age 13 or an elderly or disabled dependent.*

You must re-enroll in the HCFSA and/or DCRA every year during annual enrollment, even if you currently participate in one or both accounts.

*If you enroll in one or both accounts, a pay period administrative fee of \$2.25 will automatically be deducted from your paycheck.

Why the HCFSA and DCRA make sense

Here are three good reasons to consider enrolling in the HCFSA or DCRA:

- **You save on taxes.** You don't pay taxes on the money you contribute when it goes into your account or when you use it for eligible expenses.
- **You can budget for expenses you know you will have.** When you plan and set aside pre-tax dollars, the money is there when you need it.

- *Filing claims is easy* with the ability to submit claims and upload receipts online and pay your provider directly for some services. You'll receive a debit card for health care expenses if you enroll in the HCFSA.
- *How much can you set aside?* You can set aside from \$300 up to \$4,992 annually in an HCFSA and \$600 up to \$4,992 annually in a DCRA.

How do I get more money in my pocket if I join the program?

As a member of the Los Angeles Police Department, you are likely in a 25 to 50 percent tax bracket. After your tax preparer does the work to reconcile your taxes annually, you pay 25 to 50 cents for every dollar of taxable income you have remaining. If you can reduce your taxable income by \$4,000, you can save between \$1,000 and \$2,000 in taxes. (See your tax preparer for your specific circumstances. This is not tax advice.)

HCFSA

If you paid \$2,000 in out-of-pocket expenses for braces last year without the tax advantages of a HCFSA, you paid with money that was left after the IRS took its share in taxes. That means you had to have between \$2,700 and \$4,000 before taxes because you had to pay \$700 to \$2,000 in taxes to the IRS before paying the orthodontist \$2,000.

If you participate in the HCFSA, you will never pay income tax on the money you put into the account. You can set aside from \$300 up to \$4,992 annually (pre-tax) through payroll deduction for all eligible medical, dental or vision health care expenses. The money put into the HCFSA is subtracted from your gross income and is not taxed!

DCRA

Members can also enjoy the same tax advantages for day care and after-school programs for eligible dependents (children under age 13 and/or disabled dependents). The DCRA allows you to contribute from \$300 up to \$4,992 annually (pre-tax) through payroll deduction for eligible expenses.

Estimate expenses carefully

It's important to estimate your health care and dependent care expenses conservatively, and set aside only the amount you think you will use during 2012. After the enrollment period, you cannot change your contribution amount during the year unless you have a qualifying family status change. Because these accounts offer tax advantages, IRS regulations require you to forfeit any money left in your account after the claim deadline for the year. You have until April 2013 to submit any eligible expenses for claims you file between January 1, 2012, and December 31, 2012.

The HCFSA and DCRA provide a tax-savings advantage — but they are not a savings account — and the money you contribute to the account will not carry over year to year. In other words, you use it or lose it. Just be careful when estimating. The tax benefits of these programs are great.

The HCFSA and DCRA utilize the same tax benefits as deferred comp does, and that is putting pre-tax dollars aside, giving members more money in their pockets.

If you have any questions or you want to discuss these programs in more detail, please call me at (213) 792-1089 or email me at corinalee@lappl.org.

I would also like to thank Director Tyler Izen for assisting with the writing of this article. ❖

Tax savings add up

City of L.A. employees contributed nearly \$3 million to the HCFSA and DCRA last year — saving over **\$437,000** in taxes, assuming a 15 percent tax rate. That's an average of \$358 in tax savings for each participant.