County of Los Angeles

DIGEST

Around and About

ALL COUNTY departments, commissions, and committees soon must hold public hearings "on matters of public interest" under an order from the Board of Supervisors (Oct. 31). CAO Arthur Will is working on guidelines for the open-hearing policy, which he will bring back to the Board for approval by January.

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W. T. (TOM) Kidwell is acting director of data processing, appointed by the Board of Supervisors after Gordon Milliman's Nov. 1 resignation. Kidwell, 41, had been chief deputy treasurer-tax collector since 1966.

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NEARLY 10,000 employees signed up for one of the County health plans during the open enrollment earlier this month. Paycheck deductions will start Dec. 8. No deduction, of course, if the premium is less than $19 a month, since the County contributes that much per employee.

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SUPERIOR COURT judges elected Robert Wenke assistant presiding judge for 1973. The vote: Wenke, 109, Judge Arthur Alarcon, 44. Alfred McCourtney was unopposed for presiding judge.

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CREDIT OFFERED FOR U.S. SERVICE

COUNTY EMPLOYEES having previous federal service, military or civilian, may apply it toward their County retirement credit, under a resolution passed by the Board of Supervisors last week (Nov. 21).

Employees applying for the credit would "buy in" under a formula established by state law: 1) the employee would determine what amount he contributed each month to the retirement fund when he began working for the County; 2) he would double this amount; 3) he would multiply this doubled amount by the number of months of federal service for which he was claiming credit; 4) he would pay interest on this amount for the length of time he has worked for the County.

The interest rate would be the same as that the retirement system paid to employees who were leaving the County and withdrawing their retirement contributions. This interest rate was 3 percent until July 1966, 3.75 percent from then until December 1968, and 4.25 percent since January 1969.

The County will issue instructions soon to help employees decide how large their cost of buying-in would be, and whether it would be to their monetary advantage to do so.

A consulting actuary retained by the County reported that 10,000 County employees responding to a questionnaire indicated they have previous federal service. The actuary estimated that about 60 percent of these will remain in County jobs until they retire.

Applications for federal service retirement credit are being distributed by the County retirement system staff and will be available shortly at departmental payroll offices.

Election Brings Changes to the County

WHEN THE Board of Supervisors meets next Tuesday (Dec. 5), two chairs will be occupied by Supervisors newly elected to four-year terms—James Hayes and Baxter Ward.

Hayes' face already is familiar in the Board room. The former Long Beach assemblyman has been serving as Fourth District Supervisor since September when Governor Reagan appointed him following the death of Burton Chace. Hayes won a full term Nov. 7 by decisively defeating Los Angeles councilman Marvin Braude.

Final official returns also gave Ward a substantial (55 to 45 percent) margin over Supervisor Warren Dorn, who had represented the Fifth District since 1956.

Ward, 53, will be filling his first elective office. Reared in the small town of Ephrata, Washington, Ward became a news announcer at age 16 for Seattle's KRSC, worked at other Seattle and Spokane stations, entered the University of Washington, served in World War II as an army second lieutenant in North Africa and Europe, did newscasting stints at BBC London, ABC Washington, and in Baltimore before coming to Los Angeles in 1955 to be anchor-

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How the County Retirement System Works

WHEN THE County of Los Angeles began its first retirement system on July 1, 1921, the event stole few headlines from President Harding, the Sacco-Vanzetti trial, or Jack Dempsey's knockout of Georges Carpentier. Even County employees of that day hardly recognized it as the historic birth of a system that would grow in the next half century to billion-dollar size and insure them and their successors an unforeseen measure of old-age security.

For one thing, the security at first did not amount to much. Each employee contributed $4 a month, regardless of his age or salary. The County added a matching $4. This yielded an average pension, in those early years, of less than $50 a month.

A few years later both the contributions and pensions began to rise. The system was overhauled by the County Employees Retirement Act of 1937, and by the late 1940s the average pension had reached $85 a month. In 1972 thus far, 901 general members have retired at an average monthly allowance of $382, and 50 safety members have retired on a monthly average of $887.

Most County employees are *general* members of the retirement assocation—a membership that begins automatically the month after anyone becomes a permanent County employee at three-fourths time or more. If the new employee works in a police, firefighting, or ocean lifeguard job (and is under age 36), he becomes a *safety* member of the association; as such he pays a substantially higher amount into the retirement fund — for example, 10.02 percent of his salary if entering at age 25 instead of the 7.13 percent paid by a male general member—but as a safety member he may retire five years earlier.

Statistics indicate that one reason safety members tend to collect larger retirement allowances is that they spend longer in County service than general members. For instance, in the first ten months of 1972, the average safety member retired with 26 years service, while the average general retiree had served only 18 years 2 months.

CONTRIBUTIONS. The annual report of the County Employees Retirement association, which is distributed among all employees each summer, contains tables showing what percentage of base salary is deducted for the retirement fund. These paycheck deductions range from 6.88 percent for a youth entering County service at age 16 to a high of 12.95 percent for a woman entering at age 54 or older.

For County employees who are also covered by social security—among these are all hired since June 1, 1964—the retirement deductions are less than the tables show. Their contributions are reduced one-third on the first $350 of salary. Thus, if Joe Spivins comes to work for the County at age 43, the table says his retirement contribution shall be 9 percent of his salary. But he will pay only 6 percent on the first $350 of salary, and 9 percent on his pay above that.

The County more than matches the employee's contribution. In fact, by the time an employee retires, the County's share in his retirement "pot" is almost four times as large as the employee's total contributions.

HEALTH INSURANCE. Since last January, the retirement board has offered fully or partially paid group hospital and medical insurance to retirees and their families. The board's subsidy comes to 4 percent of the premium for each year of County service. Thus, the board will pay 40 percent of the premium for a retiree with ten years service, 100 percent of the premium for a retiree with 25 or more years service.

WHO MAY RETIRE. A *general* member may apply for retirement if he is at least 50 years old and has ten or more years of service—or if he has 30 years service, regardless of age.

A *safety* member may retire if he is 50 years or older with at least ten years service—or he may retire with 25 years service, regardless of age.

COMPULSORY RETIREMENT. The law requires that a general member retire at age 70 and a safety member at age 60, regardless

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Places That Funds Are Invested

Most of the retirements funds are invested in government and industrial bonds . . $592.6 million

Investments in County buildings, which are repaid with interest, total . . . . $201 million

Stock holdings in 100 major U. S. firms have a book value of . . . . $172.5 million

Mortgage investments, mostly in home loans, are . . . . $113.4 million

Added together, these four kinds of investments totaled on Dec. 31, 1971 . . . $1.08 billion

In addition the retirement fund reported cash and "bookkeeping" assets of another $10.8 million

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of years of service. In 1974 the limit will drop to age 65 for general members.

DISABILITY RETIREMENT. A member who is disabled by an on-the-job injury may retire regardless of age or length of service. If the injury is not job-connected, he may retire if he has at least five years County service.

DEFERRED RETIREMENT. When leaving the County payroll, a member has the option of:

1) Withdrawing all *his* contributions, but not the County's contributions, into his retirement account, plus interest currently credited at the rate of 4.25 percent . . . or

2) If he has at least five years service, he may apply for *deferred* retirement status. This must be done in writing within six months after terminating County service. Deferred members may receive a retirement allowance any time after reaching age 50, providing at least ten years have passed since they entered the retirement system—or they may receive the allowance after 30 years from their entry date, regardless of age.

DEATH BENEFITS. If a County employee dies *before* he retires, the retirement board will pay his or her spouse or other beneficiary a death benefit either in a lump sum or in installments.

The death benefit consists of the member's contributions into the retirement fund, with interest—plus a month's salary for each year of service, up to a maximum of six months salary. The beneficiary has the choice of taking this money in a lump sum, or in equal monthly payments spread out over ten years.

Or the beneficiary may choose between two other plans: a lifelong monthly allowance equal to 60 percent of the allowance the member would have received had he retired on the date of death; or a lump sum payment of six month's salary plus a reduced monthly allowance for life.

If a member dies from *on-the-job injury*, his or her spouse may receive a monthly allowance equal

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Where the Money Comes from

CONTRIBUTIONS. In 1971 the nearly 60,000 general members and 7,400 safety members contributed from their salaries into the retirement fund . . . . $53.2 million

The County contributed from its general fund almost . . . . $76 million

INVESTMENTS. In 1971 the retirement fund received interest on bonds it owns of almost . . . . $29 million

Payments on home and business mortgages the fund holds came to nearly . . $15 million

The County general fund paid as installments on the many County buildings erected with retirement funds on interest-bearing leaseback agreements . . . . $12.3 million

Dividends from stocks yielded . . . $ 5.8 million

Where the Money Went

Biggest outgo was for retirement checks to more than 12,000 former employees, both general and safety members. These checks totaled in 1971 . . . . $44.6 million

6,338 employees leaving County service withdrew their accumulated contributions, plus interest, totaling nearly . . . . . $ 8.6 million

The fund disbursed to Occidental Life Insurance Company, Blue Cross, Ross-Loos, and Kaiser Permanente as health insurance premiums for retirees . . . . $ 2.5 million

112 active County employees died during 1971 and their lump-sum death benefits from the retirement fund came to nearly . . . $518,000

The fund during 1971 also invested $71 million in stocks; $28.5 million in real estate projects (including the Criminal Courts and Municipal Traffic Court buildings, the Mechanical Department headquarters on Eastern Avenue, and the Central Jail addition) and $16.3 million in mortgage loans—making a total investment during the year of almost $116 million

RETIREMENT

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to what the member would have received had he retired with a service-connected disability on the date of death. Additional allowances are paid when there are children under 18 in the custody of the spouse.

In addition to all other benefits, the surviving spouse of a safety member killed on the job receives a lump sum equalling 12 months pay.

If a *retiree* dies, his spouse, if she has been named beneficiary, will continue to receive 60 percent of his monthly allowance—provided they were married at least one year before he retired.

A retiree's estate also receives a "burial allowance" of $750.

EFFECT OF SOCIAL SECURITY. As already noted, the fact that they are also covered by social security means, for most County employees, a slight reduction in their retirement contributions. It likewise means a small reduction in their retirement allowance from the County.

In its current annual report, the retirement board gives the hypothetical case of an employee who retired at age 60 with 25 years service. During his last 12 years he was covered by social security. This 12 years is multiplied by a "reduction factor" of $2.53 used for men who retire at age 60, giving a reduction of $30.36. Since his retirement allowance without social security would have been $396.17, he receives an allowance $30.36 less than this, or $365.81 a month.

In addition, of course, he may apply for social security payments.

INCOME TAXES. Because a County employee pays federal and state income taxes on his gross salary, the amount of his retirement contributions are exempt from income taxes when he receives them back in the form of his retirement allowance. The retirement board applies the amount of these contributions *first* against his allowance checks. Thus, most retirees may go approximately three years without paying income taxes on their allowances. After that, however, when he has run through the amount of his contributions, the retiree's allowance becomes taxable.

COST OF LIVING. To keep up with changes in the cost of living, the retirement board has authority each year to adjust retirement allowances in accord with changes in the federal consumer price index. These adjustments, which go into effect each April 1, may not exceed 3 per cent.

ADMINISTRATION. The retirement systems in Los Angeles and 19 other counties are governed by the retirement act of 1937, which the legislature has amended many times over the years, usually in the direction of liberalizing the system.

Decisions of the Los Angeles County Retirement association are made by a seven-member Board of Retirement: treasurer-tax collector Harold Ostly, chairman; two representatives elected by the general members—currently Norman Shaffer of APCD and deputy D-A Richard Pachtman; one elected by the safety members, Albert Le Bas, chief of the sheriff's civil defense division (Ken Phillips of the fire department, alternate member); and three citizens named by the Board of Supervisors—Louis V. Cole, Mrs. Mary Ann Hollibaugh, and Prof. William H. Dorsey, Jr. The board's chief business is considering employees' applications for retirement.

A year ago the Board of Supervisors created a second body, the Board of Investments, to oversee the placing of the more than $1 billion of retirement funds in bonds, stocks, mortgages, and real estate loans to the County general fund. Members of that board are Ostly as chairman, Shaffer, Pachtman, Le Bas, and three outside investment experts—Ray K. Cherry, Lauren Conley, and J. Smith Miller.

(For additional information about the County retirement system see the Annual Report *of the Los Angeles County Employees Retirement association for the year ended Dec. 31, 1971, available at departmental payroll offices and at room 440, Hall of Administration. Or telephone 625-3611 extension 64455.)*

ELECTION

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man successively at Channels 13, 7, and 9. He, his wife Karen, and son Torrey, 7, live in Tarzana. Family pets, according to Ward's campaign biography, include "three dogs, four cats, one horse, one goat, and one guinea pig."

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Other election aftermaths:

— Joseph Busch, who was appointed district attorney in December 1970, survived his first election contest, narrowly winning a four-year term over former deputy D-A Vincent Bugliosi.

— The five County charter amendments, Propositions A through E, (affecting employee probation periods, demotions, and layoffs, permitting landscape contracting, and opening competition for top-level County jobs to outside applicants) passed overwhelmingly. County counsel John Maharg has submitted the amendments to the state legislature where they must be approved before going into effect.

3 Agreements Approved

AFTER MONTHS of negotiations, three more work agreements for 1972-73 have been approved by the Board of Supervisors. The units include some 1,600 buildings trades craftsmen, 1,800 social workers, and 1,100 supervisory social services employees.

County of Los Angeles

DIGEST

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