

## Frequently Asked Questions (FAQ's)

1. When did the Regular Interest crediting rate go down from 7.75% to 7.5%?
  - Effective July 1, 2015.
2. Why did the Regular Interest crediting rate change?
  - Historically, interest crediting for the Retirement Plan has been as low as 3% and as high as 8%. The rate was reduced to match the Plan's assumed rate of investment return.
3. When was the Regular rate of interest last changed?
  - April 2011
4. How will my pension be impacted by the Plan amendment reducing the interest rate?
  - There will be no impact on retirement calculations until May 1, 2016.
  - Even then, the pension benefit of most members will NOT be directly impacted, because their monthly allowance will be calculated using the Formula Pension:  

**Service Credit X Multiplier (2.1% or 2.3%) X Highest Average One Year Salary**
  - In rare instances, some Plan members may be impacted if a Money Purchase calculation of their benefit is higher than a Formula Pension calculation.
5. Why is a Money Purchase calculated?
  - At retirement, the Plan conducts two calculations for all members who qualify for a Formula Pension: 1) Formula Pension and 2) Money Purchase. The member is paid the higher of the two calculations.
6. How is a Money Purchase calculated?
  - A member's total contributions and Department matching contributions (including interest on both) divided by the actuarial factor corresponding to his/her age at retirement. The actuarial factor depends on the employee's age at retirement.
7. Why is a Money Purchase higher than a Formula Pension calculation?
  - This occurs most often when a member's age at retirement corresponds to an actuarial factor that assumes a shorter life expectancy.
8. How long is a Money Purchase payable?
  - Just like the Formula Pension, it is payable for the lifetime of the retiree.

9. What is the current mortality table?

- The 1983 Group Annuity Mortality adopted in July 1991.

10. How does the change in the mortality table impact my retirement allowance if I am a **Formula Pension**?

- It will **NOT** impact your Full Allowance. In most cases, the cost (reduction in the Full Allowance) associated with other available retirement options will be less under the new mortality table.

11. How does the change in the mortality table impact my retirement allowance if I am a **Money Purchase**?

- In most instances a retiree's monthly allowance from a Money Purchase will be less under the new mortality table because the retiree is expected to live longer, that is the money has to cover more years in retirement.

12. If I am eligible, should I retire before the new mortality table goes in to effect May 1, 2016?

- That depends on a number of factors that only you can analyze and use to make a decision. For example, if you stay longer you will have more service credit which increases your monthly allowance.
- We suggest you visit the Retirement website (<http://retirement.ladwp.com>) and click the link for the Retirement Information System (RIS) to run a personalized retirement estimate. Be sure to select a retirement estimate date before and after the effective date of the amendment (i.e. April 1, 2016 and May 1, 2016). Use of RIS requires intranet access and a Department network ID.
- You may also want to contact your Division Training Coordinator to enroll in the full day Retirement Planning Seminar. Extra sessions will be added over the next few months.

### **Additional Contributions**

13. What happens to the Additional Contributions already in my account?

- Nothing will change for the amount you already have on account, but the balance plus any new contributions will be credited with 7.5% interest in the future.

14. Can I stop making additional Contributions?

- Yes. Making additional contributions to the Retirement Plan is voluntary; you can start, change, or discontinue your Additional Contributions by providing written notice to the Retirement Office. Forms are available in our office or online. If you stop making contributions, your account will still be credited with interest.