

## IMPORTANT NOTICE



On April 20, 1999, the Board of Supervisors adopted a Resolution implementing Section 31461.4 of the Government Code that allows employees like you who are in the “pensionable” *MegaFlex* Benefits Plan to sign a WAIVER and thereby:

1. **Get all their unspent *MegaFlex* benefits allowance added to their monthly paycheck as taxable cash (also known as taxable pay) while at the same time,**
2. **Retain part of their *MegaFlex* benefits allowance as pensionable income.**

To understand what this means, it’s necessary to understand how the pensionability and taxable cash features of your *MegaFlex* benefits allowance work.

### THE PENSIONABILITY OF YOUR *MEGAFLEX* BENEFITS ALLOWANCE

Your pension at retirement is a percentage of your final compensation (typically related to your monthly salary). The percentage differs among employees because it’s based on each employee’s age, retirement plan, and length of service.

Being in the pensionable *MegaFlex* Benefits Plan simply means that all or part of your monthly *MegaFlex* benefits allowance will be added to your salary when your pension is calculated at the time you retire. For example, if at the time you retire, your final compensation is \$5,000 per month and you’re entitled to a pension of 60%, your monthly pension will be \$3,000. If the pensionable part of your *MegaFlex* benefits allowance is \$500, then \$300 (60% of \$500) per month will be added to your pension for a total of \$3,300, an increase of \$300 per month.

The part of your *MegaFlex* benefits allowance that is pensionable today depends on when you became a *MegaFlex* Benefits Plan participant. Specifically, if you became a participant:

- Before January 1, 1995, the pensionable portion of your benefits allowance is the lower of: 1) the entire amount of the *MegaFlex* benefits allowance you received on December 31, 1994; OR, 2) your current *MegaFlex* benefits allowance minus the single party premium of the lowest priced *MegaFlex* medical plan
- Between January 1, 1995 and December 31, 1995, it’s \$244
- On or after January 1, 1996, it’s also \$244, but only if you worked as a permanent full-time County employee before this date

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## TAXABLE CASH AND ITS RELATIONSHIP TO THE PENSIONABLE PART OF YOUR *MEGAFLEX* BENEFITS ALLOWANCE

Your unspent *MegaFlex* benefits allowance (if any) is added to your paycheck each month as taxable cash; however, there is a limit to the amount of unspent allowance that can be added to your paycheck. This “taxable cash limit” is the same as your maximum pensionable amount. It’s shown on page 1 of your Personalized Enrollment Worksheet. If you have any unspent allowance that exceeds this limit, it will be forfeited. For example:

If your *MegaFlex* benefits allowance is \$1,450 and you spend \$624 on benefits, \$826 remains unspent. If the pensionable part of your allowance is \$244, you’ll forfeit \$582, because your taxable cash limit is \$244 ( $\$826 - \$244 = \$582$ ).



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## NON-PENSIONABLE *MEGAFLEX* BENEFITS PLAN

Until the Board of Supervisors approved the waiver option, the only way employees could avoid this forfeiture was to voluntarily elect to change from the pensionable *MegaFlex* Benefits Plan to the non-pensionable *MegaFlex* Benefits Plan. While electing to make this change allowed employees to receive all their unspent allowance as taxable cash, simultaneously, they gave up the pensionability of any part of their *MegaFlex* benefits allowance.

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## WAIVER OPTION

On April 20, 1999, the Board of Supervisors approved a voluntary option that allows you to preserve the pensionability of your *MegaFlex* benefits allowance. It requires you to sign a waiver. Specifically, by signing the waiver, you: 1) ensure all your unspent allowance will be added to your paycheck each month as taxable cash; 2) retain the right to the pensionability of your allowance; and 3) acknowledge that any allowance you receive which is more than your taxable cash limit is not pensionable. For example:

If your benefits allowance is \$1,400, you spend \$824 on benefits, and your pensionability is \$244, then:

1. The remaining unspent allowance of \$576 ( $\$1,400 - \$824 = \$576$ ) will be added to your paycheck as taxable cash.
2. At the time of your retirement, \$244 will be added to your final compensation before your pension is calculated.
3. The \$332 taxable cash you receive, which is the amount in excess of your pensionable amount of \$244, is **not** pensionable.

A waiver form is printed on the next page. You may sign the waiver at any time. If your signed waiver is received by the 15th of any month, it will become effective on the first of the following month. If you don’t sign the waiver, you’ll continue your enrollment in the pensionable *MegaFlex* Benefits Plan with a limit on taxable cash.

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## PLEASE NOTE

If you’re currently receiving taxable cash that is close to your taxable cash limit and you don’t sign a waiver, you may be at risk of forfeiting some of your unspent allowance if you receive a salary increase such as a step advance or a promotion. The following example illustrates this point:

Mary’s allowance is \$1,300 per month. Because she became a *MegaFlex* participant in 1995, the pensionable part of her allowance is \$244. According to the rule, this amount of \$244 is also her taxable cash limit. If the monthly cost of the benefits she elects is \$1,150, she will have \$150 of unspent allowance each month ( $\$1,300 - \$1,150 = \$150$ ). This \$150 will be added to her paycheck each month as taxable cash. If, however, during the year she receives a salary increase and her allowance increases to \$1,450, her unspent allowance will increase to \$300 ( $\$1,450 - \$1,150 = \$300$ ). In this case, because she has a taxable cash limit of \$244, she will forfeit \$56 each month ( $\$300 - \$244 = \$56$ ).

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## ELECTIVE ANNUAL LEAVE

If you purchase elective annual leave but cannot use any or all of it by the end of the Plan Year, your elective annual leave reimbursement amount cannot exceed your annual taxable cash limit (less any taxable cash already received). You will forfeit any amount greater than your taxable cash limit.

# MEGAFLEX BENEFITS PLAN WAIVER OF PENSIONABILITY

## PRINT REQUESTED INFORMATION:

Employee Name (Last, First, Middle Initial)		Employee Number	
Social Security Number			
Street Address		Home Phone	
City	State	Zip Code	Work Phone

**Requirements:** To remove the taxable cash limit under the pensionable *MegaFlex* Benefits Plan you must sign and return this Waiver of Pensionability form.

**Deadline:** Your Waiver of Pensionability form must be signed and received by the Benefits Plan Administrator by the 15th of the month for it to affect your next month's paycheck. Unless you sign, date, and return this waiver, there will be a limit on the amount of taxable cash you can receive; as a result, you may forfeit a portion of your *MegaFlex* benefits allowance.

### WAIVER

My County benefits allowance as of December 31, 1994 (if a *MegaFlex* participant on that date); OR, \$244 (if a *MegaFlex* participant on or after January 1, 1995), also known as my pension "cap" amount, will be added to my salary for the purpose of calculating my pension at retirement. I hereby elect to waive as pensionable income, any taxable cash amounts above my pension "cap." As a result, I understand that:

1. There is no limit on the amount of taxable cash I can receive from my County benefits allowance.
2. Any taxable cash I receive over my pension "cap" will not be added to my salary to calculate my pension when I retire.

Employee Signature \_\_\_\_\_ Date \_\_\_\_\_

Submit your completed form to the Benefits Plan Administrator by:



**Document Upload:** Click the "Doc Upload" button in the "Easily Submit Documents" tile on your enrollment homepage at [mylacountybenefits.com](http://mylacountybenefits.com)



**Email:** Attach scanned documents to an email and send to [documents@mylacountybenefits.com](mailto:documents@mylacountybenefits.com)



**Fax:** 310-788-8775

# TAXABLE CASH LIMIT WORKSHEET

## SAMPLE CALCULATION

1. Benefits allowance .....	\$ 1,300.00
2. Benefits costs:	
Medical insurance .....	\$ 635.00
Dental insurance.....	26.07
AD&D insurance .....	0
Short-term disability.....	0
Long-term disability.....	14.69
LTD health insurance.....	3.00
Elective annual leave.....	0
Spending accounts.....	50.00
Survivor income benefit.....	0
Tobacco user premium .....	0
Administrative fee .....	5.00
Less total benefits cost.....	-\$ 733.76
3. Unspent benefits allowance .....	\$ 566.24
4. Taxable cash limit.....	-\$ 244.00
5. Monthly benefits allowance loss.....	\$ 322.24

## YOUR CALCULATION

1. Benefits allowance .....	\$ _____
2. Benefits costs:	
Medical insurance .....	\$ _____
Dental insurance.....	_____
AD&D insurance .....	_____
Short-term disability.....	_____
Long-term disability .....	_____
LTD health insurance.....	_____
Elective annual leave .....	_____
Spending accounts.....	_____
Survivor income benefit .....	_____
Tobacco user premium .....	_____
Administrative fee .....	5.00
Less total benefits cost.....	-\$ _____
3. Unspent benefits allowance .....	\$ _____
4. Taxable cash limit.....	-\$ _____
5. Monthly benefits allowance loss.....	\$ _____

## INSTRUCTIONS FOR USING THIS WORKSHEET



1. **Look at your Personalized Enrollment Worksheet to find the amount of your current monthly benefits allowance.** The benefits allowance amount is shown on page 2 (the upper left side of the worksheet). Record this dollar amount next to “Benefits allowance” on this worksheet. *Remember, a salary increase during the year may increase your monthly benefits allowance.*



2. **Use the benefits and amounts shown on your mid-month paycheck under Cafeteria Benefits Information to find out what you are currently paying for each benefit.** Record the amounts next to “Benefits costs” on this worksheet. If you want your worksheet to be based on next year’s benefits costs, you can find that information on page 2 of your Personalized Enrollment Worksheet.



3. **Add all the monthly costs for benefits.** If the total you spend on benefits is less than your benefits allowance, subtract the total benefits cost from your benefits allowance amount. After subtracting, record the remaining dollar amount next to “Unspent benefits allowance.”



4. **Record your “Taxable cash limit” amount.** You can find your taxable cash limit on page 1 of your Personalized Enrollment Worksheet.



5. **If the “Taxable cash limit” amount is less than your “Unspent benefits allowance,” subtract it.** The remaining dollar amount is your “Monthly benefits allowance loss.”