

Retirement Incentive Pay (RIP) Program Frequently Asked Questions

1. What is the Retirement Incentive Pay (RIP) program?

RIP is a program developed by the City and sworn labor unions to allow sworn employees who are retiring or entering DROP to include deferred salary increases as part of their pension benefit calculation or to apply toward their accrued leave (sick/vacation/overtime) payout at the time of retirement. Specifically, the RIP is treated like a pensionable bonus equivalent to the base wage increase that Los Angeles Fire Department Chief Officers Association (MOU 22), United Firefighters of Los Angeles City (MOU 23), the Los Angeles Police Protective League (MOU 24), and The Los Angeles Police Command Officers Association (MOU 25) agreed to defer for a period of time as previously scheduled. The RIP makes employees whole for the deferred base wage increase for those who are retiring or entering DROP during the deferral period.

- **MOUs 22 and 23** agreed to defer a 4.5% base wage increase, which was scheduled to be effective July 4, 2021.
- **MOU 24** agreed to defer a 3% base wage increase, which was scheduled to be effective January 16, 2022, and a 1.5% base wage increase, which was scheduled to be effective June 19, 2022.
- **MOU 25** agreed to defer a 3% base wage increases, which were schedule to be effective January 16, 2022.

The RIP will replace the previously scheduled base wage increase during the deferral period for employees entering DROP or retiring. On **January 1, 2023**, each of the increases cited above, regardless of MOU, will begin to go into effect and RIP will end.

This means that The last day that an employee will be eligible for RIP will be December 31, 2022, one day before the deferred base wage increases become effective on January 1, 2023.

2. Where can I get a RIP Application and Agreement?

Please check your union's web site, contact your union representative, or go to <http://cao.lacity.org/RIP> for an application and additional information about the program.

Retirement Incentive Pay (RIP) Program Frequently Asked Questions

3. When can I submit my RIP Application and Agreement?

You can submit your RIP application any time between today and December 4, 2022. (Although the RIP extends to December 31, 2022, your payroll section needs time to process your RIP, which is why the last practical day to submit your application and ensure successful RIP payment is December 4, 2022.)

The sooner you submit your application the better, even if your RIP doesn't start right away. The CAO will determine your RIP effective date (always on the start of a pay period) based on your individual circumstance and communicate to your payroll section when to apply the RIP. ***Please do not wait until the pay period that you are asking for the RIP to take effect***, the sooner you apply, the more lead time there will be to ensure that the RIP is properly and effectively applied.

4. How can I submit an RIP Application and Agreement?

1. In Person or by US Mail:

Office of the CAO, Employee Relations Division
City Hall East
200 N Main Street, Suite 1200
Los Angeles CA 90012
Attn: RIP Application

2. By Email to RIP.CAO@lacity.org (In the email subject line, type "RIP Application")

Prior to submission, please make and retain a copy of your application for your records.

5. Who can answer my questions about the RIP?

Please contact your union or send an email to CAO representatives at RIP.CAO@lacity.org. Do not call Los Angeles Fire and Police Pensions staff.

6. What happens after I submit my RIP Application and Agreement?

The CAO will process your RIP application, which primarily includes determining the appropriate start and end dates of your RIP, then you will be sent a receipt for your records so that you are kept informed about when to expect the RIP.

Please remember to legibly print or type your RIP application, and provide a valid email address so that we can effectively communicate with you.

Retirement Incentive Pay (RIP) Program Frequently Asked Questions

7. Is the RIP right for me, and if so, how do I participate?

Which RIP Option Is Right For Me?

I'm In MOU	My DROP/ Retirement Status Is	I'm Exiting DROP	Choose Option	Here's What This Option Provides
22 or 23	<u>Entered DROP</u> <i>before</i> July 4, 2021	Exiting between July 4, 2021 and December 31, 2022	1	Option 1 provides you with RIP pay during the <u>final pay period of your City employment</u> , which means your banked time (sick/vacation/overtime) payouts will reflect the RIP. Make sure to enroll in the <u>final pay period of your City employment only</u> . If you sign up for a pay period subsequent to your final pay period, your <u>final payouts will NOT reflect the RIP</u> .
	<u>Entering DROP</u> <i>between</i> July 4, 2021 and December 31, 2023	Exiting on or after January 1, 2023	2	Options 2 and 3 provide you with RIP pay for up to 26 pay periods or the time between your application date and December 31, 2022, whichever is less. Under these options the RIP will affect your Final Average Salary (FAS) used to calculate your retirement allowance when you enter DROP or retire from City employment.
	<u>Retiring</u> with a <u>SERVICE PENSION</u> <i>between</i> July 4, 2021 and December 31, 2023	N/A	3	Sign up for Option 2 even if you're not entering DROP or Option 3 even if you're not retiring until the <u>end of calendar year 2023</u> to maximize the effect of the RIP on your FAS calculation.
	<u>Retiring</u> with a <u>DISABILITY PENSION</u> <i>between</i> July 4, 2021 and December 31, 2023	N/A	4	Similar to Options 2 and 3, Option 4 applies if the LAFPPS Board of Commissioners grants a disability pension, in which case LAFPPS staff will assist with identifying the appropriate RIP pay effective dates that will benefit the employee's FAS calculation. This may mean that the RIP is retroactively applied.
	<u>Entering AND Exiting DROP</u> <i>between</i> July 4, 2021 and December 31, 2022	Exiting between July 4, 2021 and December 31, 2022	5	Option 5 provides you with RIP pay for up to 26 pay periods or the time between your application date and December 31, 2022, whichever is less. The RIP will affect your Final Average Salary (FAS) used to calculate your retirement allowance when you enter DROP. You will also receive RIP pay during the final pay period of your employment so that your banked time (sick/vacation/overtime) payouts will reflect the RIP.

**Retirement Incentive Pay (RIP) Program
Frequently Asked Questions**

Which RIP Option Is Right For Me?

24 or 25	<u>Entered DROP</u> <i>before</i> January 16, 2022	Exiting between January 16, 2022 and December 31, 2022	1	Option 1 provides you with RIP pay during the <u>final pay period of your City employment</u> , which means your banked time (sick/vacation/overtime) payouts will reflect the RIP. Make sure to enroll in the <u>final pay period of your City employment only</u> . If you sign up for a pay period subsequent to your final pay period, your <u>final payouts will NOT reflect the RIP</u> .
	<u>Entering DROP</u> <i>between</i> January 16, 2022 and December 31, 2023	Exiting on or after January 1, 2023	2	Options 2 and 3 provide you with RIP pay for up to 26 pay periods or the time between your application date and December 31, 2022, whichever is less. Under these options the RIP will affect your Final Average Salary (FAS) used to calculate your retirement allowance when you enter DROP or retire from City employment.
	<u>Retiring with a SERVICE PENSION</u> <i>between</i> January 16, 2022 and December 31, 2023	N/A	3	Sign up for Option 2 even if you're not entering DROP or Option 3 even if you're not retiring until the <u>end of calendar year 2023</u> to maximize the effect of the RIP on your FAS calculation.
	<u>Retiring with a DISABILITY PENSION</u> <i>between</i> January 16, 2022 and December 31, 2023	N/A	4	Similar to Options 2 and 3, Option 4 applies if the LAFPPS Board of Commissioners grants a disability pension, in which case LAFPPS staff will assist with identifying the appropriate RIP pay effective dates that will benefit the employee's FAS calculation. This may mean that the RIP is retroactively applied.
	<u>Entering AND Exiting DROP</u> <i>between</i> January 16, 2022 and December 31, 2022	Exiting between January 16, 2022 and December 31, 2022	5	Option 5 provides you with RIP pay for up to 26 pay periods or the time between your application date and December 31, 2022, whichever is less. The RIP will affect your Final Average Salary (FAS) used to calculate your retirement allowance when you enter DROP. You will also receive RIP pay during the final pay period of your employment so that your banked time (sick/vacation/overtime) payouts will reflect the RIP.

Retirement Incentive Pay (RIP) Program Frequently Asked Questions

8. Is RIP the same as “ERIP” or “SIP” that have been offered to civilian City employees?

No. The ERIP (Early Retirement Incentive Program) in 2009 and the SIP (Separation Incentive Program) in 2020 were programs negotiated with and developed specifically for civilian City employees to reduce the City’s filled civilian position counts.

9. Can I revoke my RIP application after it was submitted?

Yes, but if you have received RIP at the time you revoke your application, you will be required to ***immediately, upon demand***, repay to the City any RIP you received as calculated by the CAO. Repayment of RIP will not be subject to the grievance procedure, arbitration, or the Dispute Resolution Committee process. Before making changes to your DROP or retirement dates, you should consult your union representatives or inquire with the City at RIP.CAO@lacity.org so that you fully understand any ramifications of your decision.

10. Can I change the DROP entry, DROP exit, or service pension effective date in my RIP application after I submit it?

Specific situations will be considered on a case-by-case basis. Before making changes to your DROP or retirement dates, you should consult your union representatives or inquire with the City at RIP.CAO@lacity.org so that you fully understand any ramifications of your decision.

11. Will the RIP affect me if I plan to apply for a disability pension?

Yes. A disability retirement is treated the same as a normal service retirement where RIP is concerned. However, the disability pension application process can be lengthy and the determination to receive a disability pension is made by the Board of Fire and Police Pension Commissioners. LAFPP staff will work with an employee to identify the appropriate RIP effective date upon approval of a disability pension application. LAFPP staff, the CAO, and LAPD and LAFD payroll staff are aware that this may result in a retroactive application of the RIP. Please contact the LAFPP Disability Pensions Section at (213) 279-3165 if you have questions.

12. During the RIP time period, I will have a hearing about a disability retirement. Does this type of retirement qualify for the RIP?

Yes. A disability retirement is treated the same as a service retirement where the RIP is concerned.

Retirement Incentive Pay (RIP) Program Frequently Asked Questions

13. How will my pension contributions be affected?

RIP is pensionable. Therefore, pension contributions will be deducted from RIP.

14. Am I eligible to receive the RIP if I'm out on Workers' Compensation?

Yes, if you're on IOD and collecting a salary through the City's salary continuation. No, if you're collecting the State rate. The RIP is meant to simulate the salary increase that was deferred in recently amended MOUs. No distinction is made regarding an employee's status relative to Workers' Compensation.

15. What happens if I don't enter DROP, exit DROP, or retire on the date I indicated on my RIP Application and Agreement?

If you do not enter DROP, exit DROP, or retire within six (6) months from the date identified on your RIP application, you will be required to repay the full RIP amount as calculated by the CAO. Once the full repayment is completed, any retirement contributions collected on the RIP amount will be refunded to you by LAFPP. Repayment of RIP will not be subject to the grievance procedure, arbitration, or the Dispute Resolution Committee process.

16. Tell me more...what if I plan on entering DROP/retiring on October 1, 2022, which means that I can start receiving RIP pay 26 pay periods prior, but later I decide to delay my DROP entry or retirement until past October 1, 2022?

You have a six-month grace period from the DROP entry/retirement date noted on your RIP application. If you're planning on entering DROP/retiring effective October 1, 2022, you can actually postpone your DROP entry/retirement date for up to six months, in this case until April 1, 2023, without a penalty.

If, however, you were to enter DROP/retire more than six months after the date specified on your RIP application, in this case on or after April 1, 2023, you would be required to pay back the value of the RIP, as calculated by the CAO, immediately upon request. The purpose of the RIP is the allow employees to continue with DROP entry or retirement plans uninterrupted by the base wage deferral that was agreed to in amended MOUs.

Please note that repayment of RIP will not be subject to the grievance procedure, arbitration, or the Dispute Resolution Committee process. The Application and Agreement also contains a Waiver and Release (page 3) which must be signed and dated.

Retirement Incentive Pay (RIP) Program Frequently Asked Questions

17. What are the differences between the RIP options?

Option 1 will provide RIP for one pay period to an employee who is already in DROP (as of July 4, 2021) and leaving City service during the period of time that previously scheduled salary increases were deferred. (In the case of MOUs 22 and 23, the deferral period is July 4, 2021, through December 31, 2022. In the case of MOUs 24 and 25, the deferral period is January 16, 2022, through December 31, 2022.)

Option 1 will provide the same wage that the deferred salary increase would have provided to an employee exiting DROP for the purpose of increasing banked time (sick/vacation/overtime) payouts.

The RIP is meant to simulate the deferred salary increase. Since the scheduled salary increase takes effect on January 1, 2023, for all four MOUs, the RIP will end and not be paid to any employee after December 31, 2022. The qualifying period for Option 1 ends December 31, 2022, because on January 1, 2023, salaries will increase, which means that the RIP is no longer needed.

Option 2 is designed for an employee who plans on entering DROP during the deferral period for his or her respective MOU and who would have benefitted from the deferred salary increase to help increase his or her Final Average Salary (FAS) for pension calculation purposes. (FAS is discussed in greater detail below.) If salary increases were not deferred, and an employee had planned on entering DROP, say in September 2023, a salary increase in July 2021 or January 2022 would have made a difference in the employee's FAS. Option 2 allows the employee to receive the RIP beginning 26 pay periods prior to the employee's planned September 2023 DROP entry or retirement date: from September through December 2022, the employee will receive the RIP, then from January through August 2023, the employee's salary would be increased by the same amount as the RIP.

Option 3 is similar to Option 2, except it's focused on employees retiring without entering DROP. The principal behind Options 2 and 3 is the same, but the timing is slightly different. In Option 2, the timing of the RIP is not as critical as in Option 3. The FAS of a Tier 5 employee will be affected from the RIP being applied for 26 pay periods, but the RIP need not necessarily be applied to coincide with the employee's last pay period of City employment. Under Option 3, where an employee is retiring from City employment without entering DROP, the RIP should be applied truly during the last 26 pay period of City employment, right up until the last day the employee is working, so that the employee's banked time (sick, vacation, overtime) payouts will be reflective of the RIP.

Retirement Incentive Pay (RIP) Program Frequently Asked Questions

Option 4 is designed for an employee who is retiring through a disability pension and not entering DROP. An employee who retires through a service pension can set his or her own retirement date, whereas the effective date of a disability pension may be unknown until after the LAFPP Board of Commissioners grants a disability pension application. In this case, LAFPP staff will work with an employee to identify the appropriate RIP effective date upon approval of a disability pension application. LAFPP staff, the CAO, and LAPD and LAFD payroll staff are aware that this may result in a retroactive application of the RIP.

Option 5 is designed for an employee who is entering DROP between July 4, 2021, and December 31, 2022 (for MOUs 22 and 23) or January 16, 2022, and December 31, 2022 (for MOUs 24 and 25), **AND** exiting DROP during the same time period. For example, an employee will enter DROP in October 2022 and exit DROP in December 2022. First, RIP would be provided to the employee one year prior to the DROP entry date, in this case in September 2021, so that the employee's FAS would include the additional RIP percentage. In September 2022, the RIP would be removed because the employee's FAS would be inclusive of one year of the RIP. Then, in December 2022, during the employee's final pay period of employment with the City (and, as a DROP enrollee), the RIP would be reapplied so that banked time (sick, vacation, overtime) payouts would be paid at the rate which includes the RIP. Option 5 is a hybrid options 1 and 2, ensuring to the maximum extent possible that the RIP affects an employee's compensation rate as close as possible to an actual pay increase.

18. Who should I call if I'm not getting the RIP on my paycheck?

Please contact your Department's Payroll Section.

Retirement Incentive Pay (RIP) Program Frequently Asked Questions

Final Average Salary

19. How does RIP affect my pension calculation?

RIP will increase your pensionable pay and can be included in your Final Average Salary ("FAS") if you receive RIP during your designated FAS period.

20. What is Final Average Salary (FAS)?

FAS means an amount equivalent to a monthly average of salary actually received during any 12 consecutive months of service (24 consecutive months for Tier 6 members). Included in the calculation of Final Average Salary shall be Length of Service Pay, Special Pay, Assignment Pay and Hazard Pay.

FAS is based on complete calendar months and the pay received during the Pay Periods with End Dates that fall within each month. For example, the Pay Period End dates for the month of July 2021 include 7/3/2021, 7/17/2021, and 7/31/2021.

21. What is an example of a 12-month period for my FAS?

If you are to enter DROP on September 5, 2022, and choose to designate the 12-month FAS period immediately preceding your DROP entry date, your FAS period will be from September 1, 2021 through August 31, 2022 (pay periods starting on August 29, 2021 and ending on August 27, 2022).

22. What happens to my FAS if I don't enter DROP or retire on a service pension on the date I indicated on my RIP Application and Agreement and instead enter DROP or retire on service pension during the six-month grace period?

As explained previously, you will receive the RIP for up to 26 pay periods prior to your DROP entry date or service pension. When your FAS is calculated, there may be periods of time where there is no RIP. For example, on your RIP Application and Agreement, you indicated you will enter DROP or retire on a service pension on September 5, 2022, but decided to instead enter DROP or retire on March 5, 2023. The 12-month period immediately preceding your new DROP entry date or service pension date may have some periods without the RIP. You may designate a different 12-month period for the calculation of your FAS. The LAFPP DROP/Service Pensions Section will assist you in choosing a different 12-month period.

Retirement Incentive Pay (RIP) Program Frequently Asked Questions

23. What happens if I incur Lost Service Time in my Final Average Salary for the pay periods I received the RIP?

Your FAS will be reduced in the pay period(s) the lost service time was incurred. If this happens, you may choose a different 12-month period for your FAS. The LAFPP DROP/Service Pensions Section will assist you prior to your DROP entry or retirement in choosing a different 12-month period that will provide your highest FAS.

RIP Pay Upon DROP Exit or Service Retirement

24. What happens if I exit DROP before December 31, 2022?

Exiting DROP before December 31, 2022, means that you would no longer be an active City employee, and like all other components of your active compensation, you would no longer receive RIP.

25. In the case of Option 1, why is the RIP only applied to the last pay period of employment?

RIP is applied to the member's last pay period so that their compensated time off (vacation, sick, overtime) banks will be paid out at the higher pay rate upon retirement.

26. Who should I contact if I have questions about the RIP and my compensated time off banks payout?

Please contact your Department's Payroll Section.

27. What happens if I pass away while I'm collecting the RIP?

The RIP is treated like any other standard, negotiated, pensionable pay, meaning it's made part of your regular pay. Therefore, your heirs would not be required to pay it back if you were to pass away before retiring or entering DROP.

FINALLY...

28. ALL THREE PAGES of a RIP Application and Agreement must be submitted.

In order for a RIP Application and Agreement to be accepted for processing, you must **COMPLETE AND RETURN ALL THREE PAGES** of the RIP Application and Agreement.

- Page 1 requires information about you and contains options 1 – 3.
- Page 2 contains options 4 -5 and requires a signature and date of completion.
- Page 3 is a required release and waiver and requires a signature and date of completion.