

The Overturn of the Defense of Marriage Act and Proposition 8 Impacts County Benefits

On June 26, 2013, the United States Supreme Court ruled that major provisions of the Federal Defense of Marriage Act (DOMA) are unconstitutional. The court also let stand lower court decisions that ruled Proposition 8 – the initiative that banned same-sex marriage in California – unconstitutional. Combined, these rulings granted same-sex couples the right to marry in California and affirmed that all legally married couples in the United States will enjoy the same federal tax benefits. On August 13, 2013, the Department of Labor issued guidance clarifying that employees may take leave to care for a seriously ill same-sex spouse under the Family Medical Leave Act (FMLA). Though the County and the State were well ahead of the Federal government in terms of recognizing same-sex marriage and domestic partnership, the Court's rulings will have a significant impact on County benefits for same-sex spouses. These rulings do not impact the treatment of domestic partnerships.

The Court's decisions bring the rules affecting same-sex spouses into line with those that have applied to opposite-sex marriages, directly impacting several areas: 1) the ability to use pre-tax dollars to pay for health and other eligible benefits for same-sex spouses and their dependent children, 2) the ability to be reimbursed for eligible expenses of a same-sex spouse and/or that spouse's dependents from a spending account, and 3) certain rules governing The Horizons Plan, the Savings Plan and the Pension Savings Plan (PSP). See the table below to learn more.

Before Rulings	After rulings	What's next?
Health Benefits		
After-tax dollars are used to pay for medical, dental and accidental death and dismemberment (AD&D) insurance premiums for same-sex spouses and their dependent children. This resulted in federal imputed income for the employee. Premiums were paid with pre-tax dollars for state-tax purposes.	Pre-tax dollars will be used to purchase health and AD&D benefits for same-sex spouses and their dependent children for both state- and federal-tax purposes. Imputed income will no longer be added to employees' paychecks for health premiums.	Starting with the August 15, 2013 semi-monthly paychecks, health premiums will automatically be paid with pre-tax dollars for both federal- and state-tax purposes (September 15 for AD&D). Payments made on an after-tax basis in 2013 will be retroactively adjusted for pre-tax payment before the end of 2013. Employees should consult with their tax and legal advisors regarding the tax filing status and tax treatment for prior years.
Health Care and Dependent Care Spending Accounts		
Employees could not claim reimbursement for expenses incurred by their same-sex spouses or their spouses' dependent children.	Employees may now claim reimbursement for eligible expenses incurred by their same-sex spouses or their spouses' dependent children.	Employees may make 2013 reimbursement claims for eligible expenses for any eligible member of the family.
Adding a Same-Sex Spouse to Benefits or Making Changes		
Married before June 26, 2013 Employees could add a same-sex spouse to health benefits, or elect Family Coverage for AD&D insurance, however, premiums for the spouse and her/his dependent children were paid with after-tax dollars, resulting in imputed income for the employee.	Provided a timely election is made: Pre-tax dollars will be used to purchase health and AD&D benefits for both state- and federal-tax purposes. Imputed income will no longer be added to employees' paycheck for health premiums. Employees may also increase their contributions to a spending account for the remainder of 2013.	Employees should call the Benefits Hotline at 213-388-9982 by September 30, 2013 to make benefits changes. Otherwise, they may make changes to their benefits during the October 2013 annual enrollment for 2014 benefits. Benefits Hotline staff are available Monday through Friday, 8 a.m. to 4 p.m.

<p>Married on or after June 26, 2013 N/A</p>	<p>Pre-tax dollars will be used to purchase health and AD&D benefits for both state- and federal-tax purposes. Imputed income will not be added to employees' paycheck for health premiums. During an enrollment, employees may make benefits changes consistent with marriage, such as adding a spouse and her/his dependent children, changing medical plans, and enrolling in or increasing contributions to a spending account.</p>	<p>Employees must log on to mylacountybenefits.com within 90 days of marriage to add a spouse to coverage and submit a valid marriage certificate to the benefits administrator.</p> <p>If you do not add your spouse (and any related dependent children) during this 90-day window, you will need to wait until the next annual open enrollment to do so.</p>
<p>Horizons Plan, Savings Plan and Pension Savings Plan (Supplemental Retirement Plans)</p>		
<p>Participants could name a same-sex spouse as a beneficiary; however DOMA prohibited the recognition of the marriage for federal tax purposes.</p>	<p>Participants in a same-sex marriage may want to revisit their Horizons Plan, Savings Plan or PSP beneficiary designation(s). A same-sex spouse has community property rights in an employee's retirement benefits and, in order to waive those rights, he or she must consent to any non-spouse beneficiary. In the absence of a beneficiary designation, an employee's spouse is the default beneficiary.</p> <p>In addition, same-sex spouses are now eligible to receive a spousal rollover, postpone required minimum distributions, and receive benefits under a Qualified Domestic Relations Order. Participants can also receive a hardship distribution if their same-sex spouse experiences a qualifying event.</p>	<p>To view or update a beneficiary, a participant should log into his/her account at www.countyla.com, click on the My Profile tile, and then click Beneficiary and follow the prompts. Or call Great-West at 800-947-0845 to request a Beneficiary Designation form. To learn more, visit www.countyla.com or call Great-West at 800-947-0845. Watch for more information in the Horizons and Savings newsletters that accompany quarterly account statement.</p>

Family Medical Leave Act (FMLA)

Employees can now take time off under FMLA to care for a same-sex spouse.

Life Insurance, Dependent Life Insurance, and the Survivor Income Benefit (Plan E MegaFlex only)

Life insurance products are regulated by state law and are not affected by the Supreme Court rulings. The life insurance products offered through the County recognize same-sex spouses and domestic partners.

Important Note

The County has long recognized same-sex and opposite-sex domestic partnerships and these rulings will have no effect on the County's current domestic partnership program.

If you have questions about how the Supreme Court decisions impact your defined benefit retirement plan call LACERA at (800) 786-6464.