

AGENDA

MEETING OF THE OPERATIONS OVERSIGHT COMMITTEE and BOARD OF RETIREMENT*

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 North Lake Avenue, Suite 810
Pasadena, CA 91101

August 9, 2012 - 9:00 A.M.**

COMMITTEE MEMBERS:

Yves Chery, Chair
William de la Garza, Vice Chair
Shawn R. Kehoe
Ed C. Morris
Simon S. Russin, Alternate

- I. APPOINTMENT OF VOTING MEMBER(S) IN THE EVENT ONE OR MORE REGULAR COMMITTEE MEMBERS ARE ABSENT
- II. APPROVAL OF THE MINUTES OF THE REGULAR MEETING OF JULY 12, 2012
- III. FOR INFORMATION
 - A. Operations Oversight Committee Request for Discussion Topics
Robert Hill/JJ Popowich
 - B. Incident Report – Calculation Table Snafu (oral presentation)
Robert Hill
- IV. MISCELLANEOUS
- V. PUBLIC COMMENT
- VI. GOOD OF THE ORDER

(For discussion purposes only)
- VII. ADJOURNMENT

***The Board of Retirement has adopted a policy permitting any member of the Board to attend a standing committee meeting open to the public. In the event five or more members of the Board of Retirement (including members appointed to the Committee) are in attendance, the meeting shall constitute a joint meeting of the Committee and the Board of Retirement. Members of the Board of Retirement who are not members of the Committee may attend and participate in a meeting of a Board Committee but may not vote on any matter discussed at the meeting. The only action the Committee may take at the meeting is approval of a recommendation to take further action at a subsequent meeting of the Board.**

****Although the meeting is scheduled for 9:00 a.m., it can start anytime thereafter, depending on the length of the Board of Retirement meeting preceding it. Please be on call.**

Any documents subject to public disclosure that relate to an agenda item for an open session of the Committee, that are distributed to members of the Committee less than 72 hours prior to the meeting, will be available for public inspection at the time they are distributed to a majority of the Committee, at LACERA's offices at 300 North Lake Avenue, Suite 820, Pasadena, California during normal business hours from 9:00 a.m. to 5:00 p.m. Monday through Friday.

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MINUTES OF THE MEETING OF THE
OPERATIONS OVERSIGHT COMMITTEE
and
BOARD OF RETIREMENT*

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

GATEWAY PLAZA - 300 N. LAKE AVENUE, SUITE 810, PASADENA, CA 91101

AUGUST 9, 2012, 11:45 A.M. – 12:20 P.M.

COMMITTEE MEMBERS

PRESENT: Yves Chery, Chair
William de la Garza, Vice Chair
Shawn R. Kehoe
Ed C. Morris
Simon S. Russin, Alternate

ALSO ATTENDING:

BOARD MEMBERS AT LARGE

Marvin Adams
Sadonya Antebi
Les Robbins (*left at 12:00 p.m.*)

STAFF, ADVISORS, PARTICIPANTS

Robert Hill
JJ Popowich

The meeting was called to order by Chairman Chery at 11:45 a.m.

- I. APPOINTMENT OF VOTING MEMBER(S) IN THE EVENT ONE OR MORE REGULAR COMMITTEE MEMBERS ARE ABSENT

All regular members of the Committee were present.

II. APPROVAL OF THE MINUTES OF THE REGULAR MEETING OF JULY 12, 2012

A motion was made by Mr. Morris, seconded by Mr. Kehoe, to approve the minutes of the regular meeting of July 12, 2012. The motion passed unanimously.

III. FOR INFORMATION

A. Operations Oversight Committee Request for Discussion Topics
Robert Hill/JJ Popowich

At the July meeting the Committee requested that staff schedule regular updates on specific performance and operational metrics to be presented to the Operations Oversight Committee. In keeping with this goal, staff developed a number of proposed onetime and recurring presentations for the Committee to consider. Those ideas have been divided into three categories:

- One Time Reports: Designed to provide insight into projects, opportunities and industry trends. Staff will proactively add new projects/issues as they arise.
- Recurring Reports: Scheduled reports that are set to occur at a pre-determined frequency, and/or strategically important milestones aimed at tracking the progress of a project or communicating results of operations.
- Demonstrations: On-line interactions, illustrations, and/or process workflows will be displayed to highlight design features, service enhancements, or efficiency initiatives.

The Committee and staff discussed the list of possible topics and other possible items of interest.

B. Incident Report – Calculation Table Snafu (oral presentation)
Robert Hill

Twenty-three operating tables are intrinsic to our applications. These are maintained by our actuary and implemented into the system by LACERA to be used for various calculations. The ITN table, which is used to calculate present value contracts, was supposed to be updated in July of 2011 but was not. This was discovered eight months later by a staff member doing a manual calculation which was irreconcilable to the system calculation. Upon discovery, the problem was escalated and the table updated.

III. FOR INFORMATION (Continued)

There were two issues involved in this incident. First, the calculation table did not update. To prevent this in the future, tables will be included in a formal change request process. There will be a post implementation review with more opportunities for Quality Assurance assistance, review, and testing.

Second, the plan to correct the impacted contracts was flawed. There were 159 members with understated contracts, of which 136 cost letters were processed with the understated contract amount, and 23 cost letters were adjusted with the amount and service reduced. In our correction plan we attempted to do the following:

- Correct the purchase price so as not to gift any future benefits
- Consummate the members' wishes to the highest degree possible
- Complete the transaction efficiently and timely
- Reduce the members' administrative burden

Contracts were recalculated using the new tables with the service credit rounded down so that the cost did not exceed the amount requested by the rollover, with the "rounded off" credit created as a separate contract. This then equaled the original requested service credit purchase. However, explanation letters or separate contracts were never provided to the members.

The new correction plan will provide clear and concise letters explaining the member's recent purchase and providing three options:

1. Purchase remaining service credit with the correct tables but with the inception variables (contribution rate, age), waive interest
2. Accept the purchase with reduced service credit
3. Void contract and administratively refund member's funds

This correction plan will first need to be approved by LACERA's Legal Office.

This incident has provided staff with opportunities for improvement by developing and implementing new operating table procedures to prevent errors going forward.

IV. MISCELLANEOUS

V. PUBLIC COMMENT

VI. GOOD OF THE ORDER

(For discussion purposes only)

VII. ADJOURNMENT

The meeting adjourned at 12:20 p.m.

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