

## AGENDA

### A REGULAR MEETING OF THE BOARD OF RETIREMENT LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 N. LAKE AVENUE, SUITE 810, PASADENA, CA

9:00 A.M., THURSDAY, FEBRUARY 11, 2016

- I. CALL TO ORDER
- II. PLEDGE OF ALLEGIANCE
- III. APPROVAL OF MINUTES
  - A. Approval of the Minutes of the Regular Meeting of January 14, 2016
- IV. REPORT ON CLOSED SESSION ITEMS
- V. OTHER COMMUNICATIONS
  - A. For Information
    1. December 2015 All Stars
    2. Chief Executive Officer's Report (Memo dated February 2, 2016)
- VI. PUBLIC COMMENT
- VII. NON-CONSENT AGENDA
  - A. Recommendation as submitted by Joseph Kelly, Chair, Operations Oversight Committee: That the Board adopt the proposed Retirement Benefits Strategic Plan for Fiscal Years Ending 2017 through 2019. (Memo dated January 26, 2016)

VII. NON-CONSENT AGENDA (Continued)

- B. Recommendation as submitted by Ted Granger, Assistant Financial Officer: That the Board determine the Consumer Price Index changed by 2.03% (or when rounded to the nearest one-half of 1% as the COLA benefit rules require, 2.0%: the LACERA 2016 COLA Award), and approve cost-of-living increases and respective COLA Accumulation adjustments for retired LACERA members and beneficiaries, based on retirement plan and date of retirement or death, to become effective April 1, 2016 in accordance with applicable California Government Code Sections. (Memo dated January 29, 2016)
- C. Recommendation as submitted by Ted Granger, Assistant Financial Officer: That the Board determine the Consumer Price Index changed by 2.77% for the last two calendar years ended December 2015, and adjust the compensation for the review and analysis of disability retirement cases to \$112 per day for an eight-hour day, effective April 1, 2016. (Memo dated January 29, 2016)
- D. Recommendation as submitted by Barry W. Lew, Legislative Affairs Officer: That the Board approve and authorize staff to work with LACERA's legislative advocate to submit appropriate amendments to SACRS-sponsored legislation permitting 1937 Act county employees retirement systems to assume status as independent districts. (Memo dated February 1, 2016)
- E. Recommendation as submitted by Steven P. Rice, Chief Counsel: That the Board approve the ballot entitled "Powers and Duties of Retirement Board Members" to be included with the ballot materials for the election of the Seventh Member and Alternate Seventh Member of the Board of Retirement. (Memo dated February 1, 2016)
- F. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board review the 2016 meeting calendar and reschedule meeting dates as needed. (Memo dated January 25, 2016)

VII. NON-CONSENT AGENDA (Continued)

- G. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board (1) Approve attendance of Board members to attend The Women in Institutional Investments Network Luncheon: Sustainable Investing, Governance, and Diversity – An Institutional Perspective on March 11, 2016 at the Luxe City Center in Los Angeles, CA and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy; and (2) waive the Education and Travel Policy section 705.00 Educational Content Requirement requiring the seminar to contain an average of five hours of substantive content per day. (Memo dated January 29, 2016) (Placed on the agenda at the request of Ms. Gray)
  
- H. For Information Only as submitted by Richard Bendall, Chief Audit Executive and Darla Vidger, Internal Auditor regarding the Human Resources Compliance Audit- Liebert Cassidy Whitmore. (Memo dated January 26, 2016) (Report: Attorney-Client Privilege/Confidential)

VIII. EXECUTIVE SESSION

- A. Conference with Legal Counsel - Anticipated Litigation Significant Exposure to Litigation (Pursuant to Paragraph (2) of Subdivision (d) of California Government Code Section 54956.9)
  - 1. Administrative Appeal of Viveca Hazboun

IX. GOOD OF THE ORDER  
(For information purposes only)

X. ADJOURNMENT

*Documents subject to public disclosure that relate to an agenda item for an open session of the Board of Retirement that are distributed to members of the Board of Retirement 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 Board of Retirement Members at LACERA's offices at 300 N. Lake Avenue, Suite 820, Pasadena, CA 91101, during normal business hours of 9:00 a.m. to 5:00 p.m. Monday through Friday.*

*Persons requiring an alternative format of this agenda pursuant to Section 202 of the Americans with Disabilities Act of 1990 may request one by calling Cynthia Guider at (626) 564-6000, from 8:30 a.m. to 5:00 p.m. Monday through Friday, but no later than 48 hours prior to the time the meeting is to commence. Assistive Listening Devices are available upon request. American Sign Language (ASL) Interpreters are available with at least three (3) business days notice before the meeting date.*

MINUTES OF THE REGULAR MEETING OF THE BOARD OF RETIREMENT

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 N. LAKE AVENUE, SUITE 810, PASADENA, CA

9:00 A.M., THURSDAY, JANUARY 14, 2016

PRESENT: Shawn R. Kehoe, Chair  
Alan Bernstein, Vice Chair  
Anthony Bravo  
Yves Chery  
Vivian H. Gray  
Joseph Kelly  
David L. Muir (Alternate Retired)  
Ronald A. Okum  
Les Robbins

ABSENT: William de la Garza, Secretary

William Pryor (Alternate Member)

STAFF ADVISORS AND PARTICIPANTS

Gregg Rademacher, Chief Executive Officer

Robert Hill, Assistant Executive Officer

JJ Popowich, Assistant Executive Officer

Steven Rice, Chief Counsel

STAFF ADVISORS AND PARTICIPANTS (Continued)

Richard Bendall, Chief Audit Executive

Alston & Bird

Dominique R. Shelton, Partner

Paula M. Stannard, Counsel

Stroz Friedberg

Ilanna Bavli, Vice President

I. CALL TO ORDER

The meeting was called to order by Chair Kehoe at 9:00 a.m., in the Board Room of Gateway Plaza.

II. PLEDGE OF ALLEGIANCE

Mr. Bernstein led the Board Members and staff in reciting the Pledge of Allegiance.

III. REPORT ON CLOSED SESSION ITEMS

No items were reported.

IV. OTHER COMMUNICATIONS

A. For Information

1. Awards

Mr. Rademacher thanked and recognized LACERA's Employee Council Team (ECT) for all their hard work and service. The 2015 ECT team participants were Anh

#### IV. OTHER COMMUNICATIONS

##### 1. Awards (Continued)

Huynh, Bertha Bargas, Bonnie Nolley, David Davidson, Dina Lejano, Gloria Harriel, Joshua Wong, Julia Ray, Koleta Caldwell, Miriam DeLeon, Paul Carranza, Rosalind White, Tina Young, and Sarah Robles.

In addition, Mr. Rademacher recognized and thanked the participants of LACERA's 2015 Mentoring Program. The 2015 Mentoring Program participants were Alex Yin, Annette Cleary, Beulah Auten, Cynthia Juvinal, Dana Brooks, Debbie Semnanian, Elsy Gutierrez, Eugenia Der, Jeannine Smart, Joshua Wong, Leisha Collins, Norma Minjarez, Roberta Van Nortrick, Shelly Tilaye, Tatiana Bayer, Vince Lim, Brittany Moyer, Calvin Chang, Catherine Lumpkin, Esmeralda de la Bosque, Gena Fuller, Katy O'Brien, Laura Garcia, Linda Ghazarian, Lisa Chasse, Maria Manlutac, Mary Ann Valenzuela, Niki Webb, Renee Copeland, Samantha Garcia, Sarah Robles, Tony Soto, and Valerie Quiroz.

##### 2. November 2015 All Stars

Mr. Hill announced the eight winners for the month of November:

Maria Manlutanac, Trina Sanders, Bonnie Weise, Alvina Heard, Arlene Owens, Bonnie Nolley, Amit Aggarwal, and Ana Ronquillo for the Employee Recognition Program and Kelly Puga for the Webwatcher Program. Margaret Chwa, Felisa Valdepenas, Indee Brooke, and Clarence Malone were the winners of LACERA's

#### IV. OTHER COMMUNICATIONS

##### 2. November 2015 All Stars (Continued)

RideShare Program.

##### 3. Chief Executive Officer's Report (Memo dated January 5, 2016)

Mr. Rademacher provided a brief overview of his Chief Executive Officer's Report with a quick update on what transpired at the previous Board of Investments meeting. (Board of Investments minutes are available to view on LACERA's Website [www.lacera.com](http://www.lacera.com).)

Mr. Rademacher provided a friendly reminder that the Board Offsite is scheduled for January 19-21, 2016.

Lastly, Mr. Rademacher recognized and thanked Beulah S. Auten and her team from the Financial and Accounting Services Division and Jeannine Smart and her team from the Communications Division for their work in creating LACERA's Comprehensive Annual Financial Report.

#### V. PUBLIC COMMENT

There were no requests from the public to speak.

#### VI. NON-CONSENT AGENDA

A. Recommendation as submitted by Alan Bernstein, Chair, Audit Committee: That the Board, jointly with the Board of Investments, direct staff to retain the law firm of Alston & Bird and their subcontractor Stroz Friedberg to



VI. NON-CONSENT AGENDA (Continued)

perform an audit and data mapping of LACERA's operations insofar as they involve private, confidential, and business critical information. (Memo dated January 6, 2016)

Alston & Bird and Stroz Friedberg provided the Board with a brief presentation and answered questions from the Board.

Mr. Bernstein made a motion, Mr. Kelly seconded, to approve staff's recommendation. The motion passed unanimously.

VII. GOOD OF THE ORDER  
(For information purposes only)

Mr. Muir recognized Mr. Rademacher for his excellent article written in the CALAPRS Newsletter.

In addition, Mr. Kelly recognized Steve Rice for his efforts in guiding the Board regarding open and closed session items.

VIII. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 9:50 a.m.

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WILLIAM DE LA GARZA, SECRETARY

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SHAWN R. KEHOE, CHAIR



February 2, 2016

TO: Each Member  
Board of Retirement  
Board of Investments

FROM: Gregg Rademacher   
Chief Executive Officer

SUBJECT: **CHIEF EXECUTIVE OFFICER'S REPORT**

I am pleased to present the Chief Executive Officer's Report that highlights a few of the operational activities that have taken place during the past month, key business metrics to monitor how well we are meeting our performance objectives, and an educational calendar.

**March Madness**

We refer to the period beginning in December through the end of March as "March Madness" because retirements tend to spike during this period as members desire to retire in time to be eligible for any April 1<sup>st</sup> cost-of-living adjustment (COLA) that may be approved. As we have in years past, we are continuing our commitment to share the annual March Madness statistics in the Chief Executive Officer's report. There are two key statistics we track during this time of year.

*How well are we keeping up with our members' requests to retire?* The chart below shows the total number of pending retirement elections. All incoming retirement requests are triaged by staff to facilitate processing those retirements with immediate retirement dates and those which will require special handling (i.e. legal splits or those with uncompleted service credit purchases).

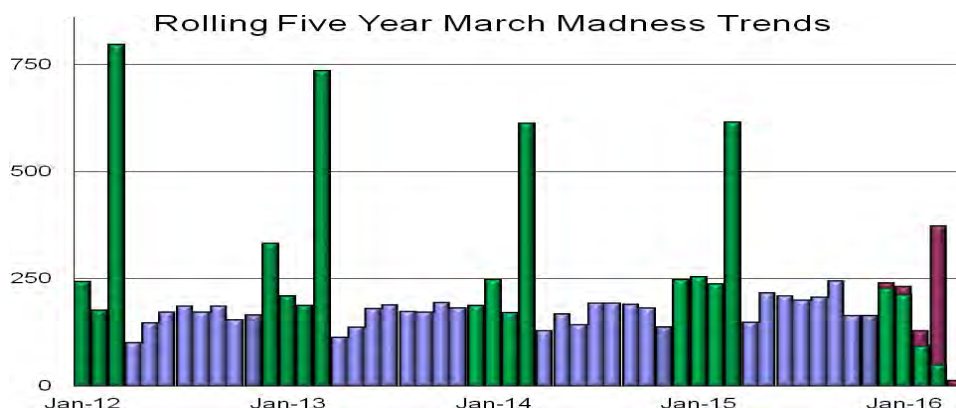
<b>Retirement Month</b>	<b>Retirement Elections</b>
December 2015	<b>12</b>
January 2016	<b>20</b>
February 2016	<b>35</b>
March 2016	<b>324</b>
Pending Disability Cases	<b>144</b>
<b>Total Pending</b>	<b>535</b>

The retirement elections not completed for December and January are pending for the following reasons: Receipt/Review of Dissolution Documents (12 cases), Receipt of Reciprocal Confirmation/Information (4 cases), last minute retirement submissions (9 cases), and the remainder are for various reasons.

We added a new statistic representing the number of approved disability cases being processed by the Benefits Division. Once a disability has been granted by the Board, the Benefits Division staff work with the member and the employer to select a disability effective date, determine the member's option election, and bring them on payroll. Of the 144 cases pending, 89 are actively being worked and 44 are pending review and action. These cases are not assigned to a specific month in the "March Madness" period because the final effective date has not been determined. As with regular service retirements some cases have mitigating factors such as legal splits and uncompleted purchases which can also extend processing. We expect to successfully meet the retirement agenda deadlines for the majority of our March Madness retirees.

The second key statistic is the volume of retirements during the year, and especially during March Madness. This gives us an indication on the severity of the stress being placed on our capacity to meet our various member service requests and demands placed upon our staff.

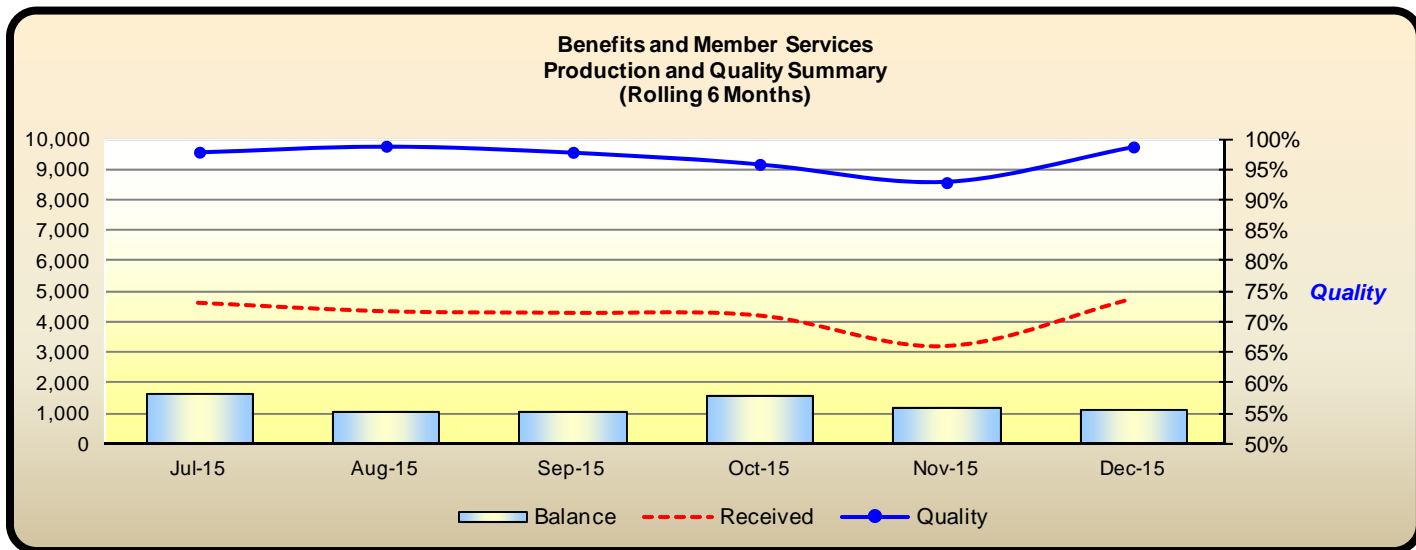
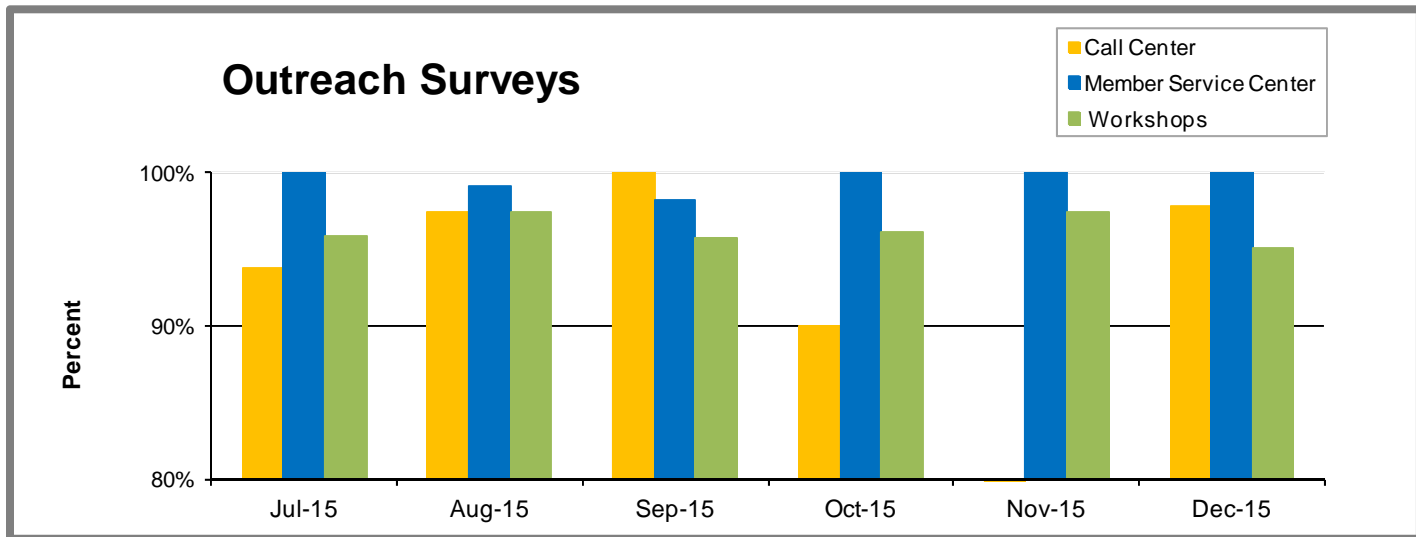
The green bars in the following chart reflect all members approved to retire (i.e. their retirement elections have been approved and completed) during the "March Madness" periods for the last five years. The red portions of the bars for January 2016 reflect those members that have submitted an election to retire, but have not been processed as of the date of this report. We have processed 625 out of 1,016 retirements for this March Madness period. Comparing the total processed and pending per month we are running under the five year average for December (235 vs. average of 241) and slightly over the five year average for January (235 vs. average of 205). Putting this into perspective during last year's March Madness 1,350 members retired, which was just slightly higher than the rolling five year average.



# LACERA's KEY BUSINESS METRICS

## OUTREACH EVENTS AND ATTENDANCE

Type	# of WORKSHOPS		# of MEMBERS	
	Monthly	YTD	Monthly	YTD
Benefit Information	5	90	135	3,236
Mid Career	0	6	0	218
New Member	6	72	98	1,441
Pre-Retirement	5	47	50	1,209
General Information	0	8	0	456
Retiree Events	0	3	0	135
Member Service Center	Daily	Daily	1,488	8,460
<b>TOTALS</b>	<b>16</b>	<b>226</b>	<b>1,771</b>	<b>15,155</b>



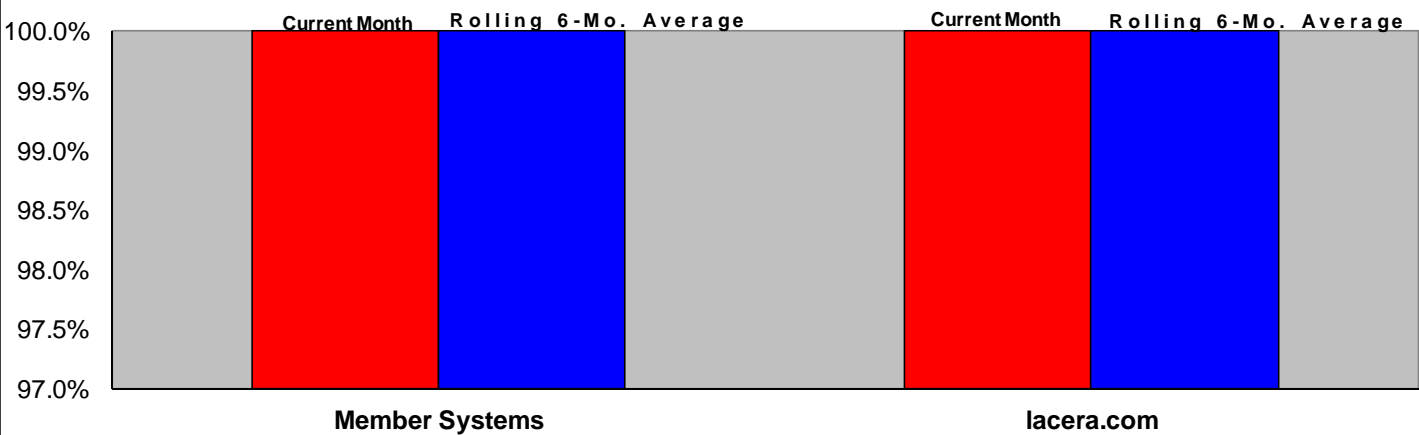
Member Services Contact Center			RHC Call Center	Top Calls
Overall Key Performance Indicator (KPI)	101.02%			
<b>Category</b>	<b>Goal</b>	<b>Rating</b>		<u>Member Services</u>
Call Center Monitoring Score	95%	98.44%	99%	1) Benefit Payments: Gen. Inquiry/Pay
Grade of Service (80% in 60 seconds)	80%	75%	56%	2) Workshop Information/Appointments
Call Center Survey Score	90%	97.83%	xxxxx	Inquiries
Agent Utilization Rate	65%	59%	80%	3) Retirement Counseling: Estimate
Number of Calls	10,253		5,382	<u>Retiree Health Care</u>
Calls Answered	9,694		4,122	1) Medical Benefits - General Inquiries
Calls Abandoned	559		1,269	2) Dental/Vision Benefits Gen. Inquiries
Calls-Average Speed of Answer	0:00:56		0:08:05	3) Turning Age 65/Part B Prem
Number of Emails	277		249	Reimbursement
Emails-Average Response Time	5:31:12		1 day	Adjusted for weekends

## LACERA's KEY BUSINESS METRICS

Fiscal Years	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Assets-Market Value	\$35.2	\$40.9	\$38.7	\$30.5	\$33.4	\$39.5	\$41.2	\$43.7	\$51.1	\$51.4
Funding Ratio	90.5%	93.8%	94.5%	88.9%	83.3%	80.6%	76.8%	75.0%	79.5%	83.3%
Investment Return	13.0%	19.1%	-1.4%	-18.2%	11.8%	20.4%	0.3%	12.1%	16.8%	4.3%

DISABILITY INVESTIGATIONS						
APPLICATIONS	TOTAL	YTD		APPEALS	TOTAL	YTD
On Hand	451	xxxxxxx		On Hand	185	xxxxxxx
Received	39	224		Received	5	27
Re-opened	0	1		Administratively Closed	0	13
To Board – Initial	35	212		Referee Recommendation	5	19
Closed	9	31		Revised/Reconsidered for Granting	3	7
<b>In Process</b>	<b>446</b>	<b>446</b>		<b>In Process</b>	<b>182</b>	<b>182</b>

### SYSTEMS AVAILABILITY DECEMBER 2015



Active Members as of 2/1/2016		Retired Members/Survivors as of 2/1/2016			Retired Members	
		Retirees	Survivors	Total		
General-Plan A	283	19,705	4,790	24,495	Monthly Payroll	243.05 Million
General-Plan B	103	685	61	746	Payroll YTD	1.44 Billion
General-Plan C	99	424	53	477	Monthly Added	244
General-Plan D	47,684	11,160	1,064	12,224	Seamless %	99.59
General-Plan E	21,438	10,672	869	11,541	YTD Added	1,645
General-Plan G	12,624	1	0	1	Seamless YTD %	99.82
<b>Total General</b>	<b>82,231</b>	<b>42,647</b>	<b>6,837</b>	<b>49,484</b>	Direct Deposit	95.00%
Safety-Plan A	14	5,923	1,583	7,506		
Safety-Plan B	11,583	4,028	213	4,241		
Safety-Plan C	868	1	0	1		
<b>Total Safety</b>	<b>12,465</b>	<b>9,952</b>	<b>1,796</b>	<b>11,748</b>		
<b>TOTAL ACTIVE</b>	<b>94,696</b>	<b>TOTAL RETIRED</b>	<b>52,599</b>	<b>8,633</b>		

#### Health Care Program (YTD Totals)

	Employer Amount	Member Amount
Medical	217,805,299	19,381,273
Dental	18,346,742	1,970,971
Med Part B	24,594,821	xxxxxxxxx
<b>Total Amount</b>	<b>\$260,746,862</b>	<b>\$21,352,244</b>

#### Health Care Program Enrollments

Medical	46,935
Dental	47,883
Med Part B	30,358
Long Term Care (LTC)	769

#### Funding Metrics as of 6/30/15

Employer Normal Cost	9.28%
UAAL	8.49%
Assumed Rate	7.50%
Star Reserve	\$614 million
Total Assets	\$48.8 billion

#### Member Contributions as of 6/30/15

Annual Additions	\$441.3 million
% of Payroll	6.18%

#### Employer Contributions as of 6/30/15

Annual Addition	\$1,495million
% of Payroll	17.77%

Date	Conference
<b>February, 2016</b>	
2-4	Upfront Summit Santa Monica, CA
3-5	IMN (Information Management Network) Annual Beneficial Owners' international Securities Lending Conference Phoenix, AZ
5	CALAPRS (California Association of Public Retirement Systems) Round Table – Benefits Holiday Inn Burbank
5	CALAPRS (California Association of Public Retirement Systems) Round Table – Trustees Holiday Inn Burbank
24-26	Pacific Pension Institute (PPI) North American Winter Roundtable Rancho Palos Verdes, CA
29-March 1	National Institute on Retirement Security (NIRS) 2016 Policy Conference Washington D.C.
<b>March, 2016</b>	
5-8	CALAPRS (California Association of Public Retirement Systems) General Assembly Meeting Indian Wells, CA
8-9	International Corporate Governance Network (ICGN) Frankfurt Conference Eschborn, Germany
8-9	PREA (Pension Real Estate Association) Spring Conference Boston, MA
9-10	AHIP (America's Health Insurance Plans) National Health Policy Conference Washington D.C.
14-16	IFEBP (International Foundation of Employment Benefit Plans) Investments Institute Las Vegas, NV
21-23	Council of Institutional Investors (CII) Spring Conference Washington D.C.
<b>April, 2016</b>	
10-13	World Healthcare Congress Washington D.C.
11-13	IFEBP (International Foundation of Employment Benefit Plans) Health Care Mgmt. Conference Phoenix, AZ



January 26, 2016

TO: Board of Retirement

FROM: Operations Oversight Committee

Joseph Kelly, Chair

Yves Chery, Vice Chair

Anthony Bravo

Ronald Okum

David Muir, Alternate

FOR: February 11, 2016 Board of Retirement Meeting

SUBJECT: **Retirement Benefits Strategic Plan for Fiscal Years Ending 2017-2019**

### **Recommendation**

Adopt the proposed Retirement Benefits Strategic Plan for Fiscal Years Ending 2017 through 2019.

### **Executive Summary**

On behalf of the Operations Oversight Committee, the Chief Executive Officer is presenting the following discussion and request for the Board of Retirement to approve the Retirement Benefits Strategic Plan for Fiscal Years Ending 2017-2019.

The Retirement Benefits Strategic Plan is a roadmap for aligning organizational resources in the best manner to successfully deliver on our mission to Produce, Protect, and Provide the Promised Benefits. The plan is a living document in that we carry it forward from fiscal year to fiscal year by using project milestones for up to three years into the future.

The planning process approved by the Board at our February 2015 meeting is a collaborative effort that begins nine months before the fiscal year begins with the Operations Oversight Committee reviewing the current year plan to test its relevance and to begin the discussion on how to move the plan forward. At our November 2015 Committee meeting, we reviewed our current plan's strategic initiatives to see if we are on track and make suggestions for improvement. At our January 2016 Committee meeting we reviewed management's suggestions and explored new ideas. At our January 19, 2016 Board Offsite meeting the Board reviewed the plan to ensure we have alignment to achieve our mission to Produce, Protect, and

Provide the Promised Benefits. It is, therefore, recommended the Board of Retirement approve the Retirement Benefits Strategic Plan for Fiscal Years Ending 2017-2019.

### Process Overview

The strategic planning process has five milestones. It begins with the Operations Oversight Committee providing the initial momentum and culminates with the Board of Retirement adopting the plan. The following table lists these five process milestones:

Meeting	Purpose	Notes
1. October OOC	Plan Development	Review current year plan and begin discussion on strategic direction.
2. October Management Offsite	Plan Development	Management team provides operational substance.
3. January OOC	Plan Development	Introduce draft of new Strategic Plan. Revise as needed.
4. January Board Offsite	Plan Development	Work to finalize draft.
5. February Board Meeting	Plan Adoption	Propose final draft for adoption.

This timetable facilitates completing the Strategic Plan as we begin the budget process in mid-February. Having a firm idea on the Strategic Plan's initiatives we will be undertaking in the next three years provides the foundation for our budget's spending plan.

### Values

Our LACERA Values are what we collectively believe in and guide our behaviors. Our LACERA Values influence how we make choices, what choices we make, and how we are to be judged on our actions by our members and stakeholders.

#### *Professionalism*

We take the initiative to develop our skills to get the job done. We are accountable for providing quality service to our members that is efficient and accurate.



*Respect*

Our members and coworkers deserve to be treated with courtesy, patience, and empathy. When we listen to support each other, we create a nurturing work environment that promotes fairness and trust.

*Open Communications*

Our frank and straightforward expression of ideas fosters a common understanding of purpose – quality service to our members. We create a healthy work environment by sharing information, listening to each other’s ideas, and giving constructive feedback.

*Fairness*

Our employees are entitled to a clear explanation of performance expectations. Performance evaluations are timely, honest, and impartial; personal improvement plans are reasonable and constructive; and we provide opportunities for professional development and promotion.

*Integrity*

We inspire confidence by our high standards for member services and sound investment practices. We are reliable, ethical, and honest. Loyalty to LACERA means loyalty to members. Integrity guides all of our work relationships.

*Teamwork*

We are committed to teamwork and we openly share information and ideas. Working together to reach common goals is the essence of success.

**Guiding Principles**

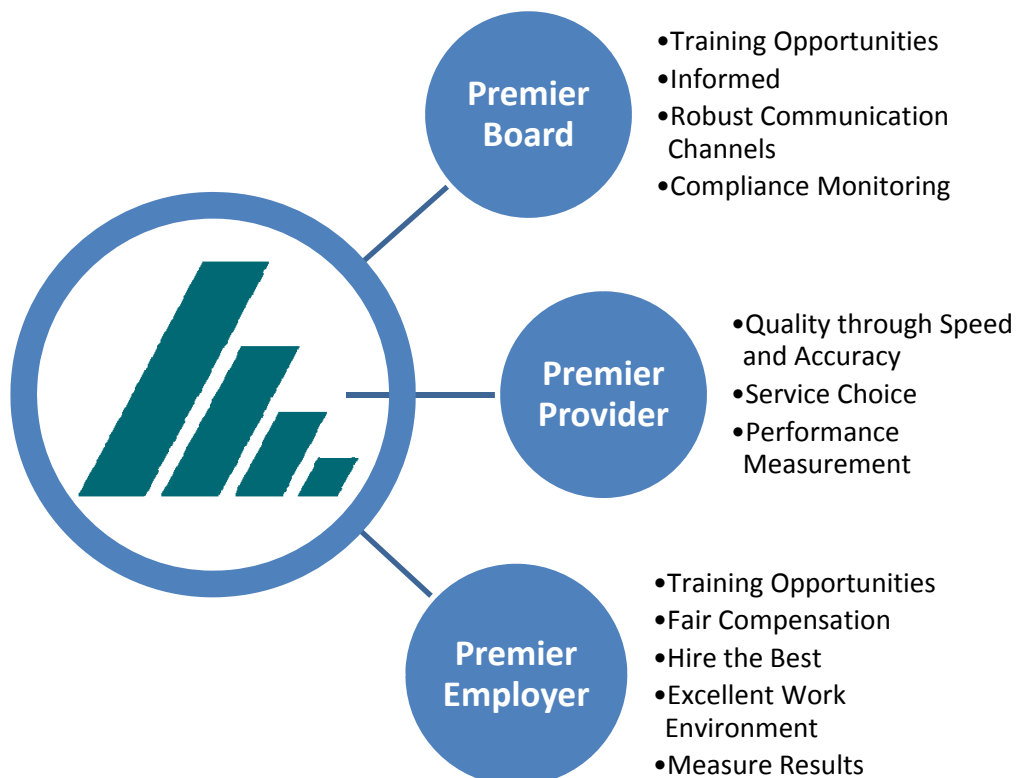
Our guiding principles describe the organization’s philosophy and guide what the organization does, why it does it, and how it should be done. They will guide our organization in all circumstances irrespective of changes in our goals, strategies, work area, and leadership team.

1. To act at all times as prudent fiduciaries, executing our responsibilities exclusively on behalf of our members, beneficiaries, and participating employers.
2. To manage growth and change through planning, innovation, and the maximum use of available technology.
3. To provide responsive and consistent quality service using integrated cost-effective procedures and practices.

4. To maintain a human resources program to recruit, train, develop, and promote qualified staff; provide a quality work environment and enhance the quality of life for our employees.
5. To maximize investment returns and minimize long-term costs by employing prudent investment and actuarial policies and practices.
6. To promote and enhance the understanding of LACERA benefits among members, employers, County officials, and the public.

### Defining LACERA

In planning for the future, it is beneficial to understand, from a big picture perspective, what type of organization we will strive to become. Another way of thinking about this is to ask the question, "What is most important?" Historically, this question has been answered with a commitment to strive toward being a premier retirement association built upon our values and delivering superior member service. Expanding this definition we can view being a premier retirement organization in three dimensions.



### **Conclusion**

The LACERA Retirement Benefits Strategic Plan helps us set our direction, define our project goals, and make decisions on allocating resources. We begin our Retirement Benefits Strategic Plan with a collaborative conversation at the Operations Oversight Committee meeting. At our Committee meetings, we reaffirm our guiding belief structure to ensure we have alignment on what we hold as most important. This facilitates our decision making process. At our November 2015 Committee meeting, we reviewed our current plan's strategic initiatives to see if we are on track and make suggestions for improvement. At our January 2016 Committee meeting we reviewed managements suggestions and explored new ideas. At our January 19, 2016 Board Offsite meeting the Board reviewed the plan to ensure we have alignment to achieve our mission to Produce, Protect, and Provide the Promised Benefits.

**It is therefore recommended the Board of Retirement** approve the Retirement Benefits Strategic Plan for Fiscal Years Ending 2017-2019.

GR:nm

Retirement Benefits Strategic Plan 2017 BoR Feb 2016v1.doc

Attachment – Retirement Benefits Strategic Plan Proposal for fiscal years ending 2017-2019

**ATTACHMENT**

# STRATEGIC PLAN

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## Proposal

Retirement Benefits  
FOR FISCAL YEARS ENDING 2017-2019



**L/CERA**

# OUR HISTORY

On January 1, 1938, LACERA was established to provide retirement allowances and other benefits to the safety and general members employed by Los Angeles County. Subsequently, LACERA expanded its membership program to include four outside Districts:

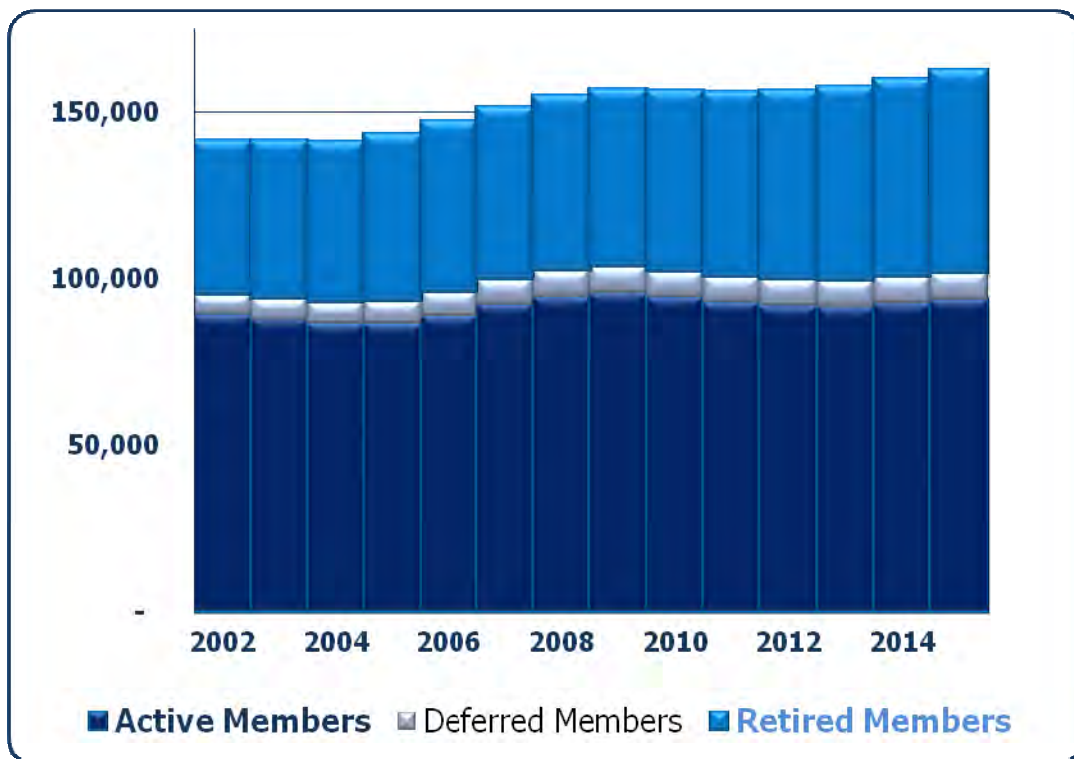
- Little Lake Cemetery District
- Local Agency Formation Commission
- Los Angeles County Office of Education
- South Coast Air Quality Management District

LACERA is governed by the California Constitution, the County Employees Retirement Law of 1937 (CERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, bylaws, procedures, and policies adopted by LACERA's Boards of Retirement and Investments. The Los Angeles County Board of Supervisors may also adopt resolutions, as permitted by CERL, which may affect benefits of LACERA members.

The Board of Retirement is responsible for the general management of LACERA. The Board of Investments is responsible for determining LACERA's investment objectives, strategies, and policies. Both Boards appoint a Chief Executive Officer, to whom is delegated the responsibility of overseeing the day-to-day management of LACERA and adopting its annual administrative budget.

# OUR MEMBERS

When we look at the members we serve, we see more than 160,000 individuals, each with a unique set of circumstances. And we see opportunity. For our active members, we see their opportunity to eventually retire with a secure future and we see our opportunity to provide them with the knowledge they need to make strategic choices throughout their careers that will enhance their retirements. For our retirees, we see more than the disbursement of a monthly benefit. We see the opportunity to provide the peace of mind that comes with knowing they will not outlive their hard-earned retirement allowances and that their eligible designated survivors will receive any benefits to which they are entitled.



## OUR MISSION

### **Produce, Protect, and Provide the Promised Benefits**

We see our mission as vast, yet personal. Although it is framed by statutes and diligently executed by highly-trained professionals, it is implemented each day on a personal level, with a personal touch. We see efficient service through education and compassion. We also see a prudently invested retirement fund, strategically positioned for long term growth.

## OUR CORE VALUES

**PROFESSIONALISM** • We take the initiative to develop our skills to get the job done. We are accountable for providing quality service to our members that is efficient and accurate.

**RESPECT** • Our members and coworkers deserve to be treated with courtesy, patience, and empathy. When we listen to and support each other, we create a nurturing work environment that promotes fairness and trust.

**OPEN COMMUNICATIONS** • Our frank and straightforward expression of ideas fosters a common understanding of purpose – quality service to our members. We create a healthy work environment by sharing information, listening to each others' ideas, and giving constructive feedback.

**FAIRNESS** • Our employees are entitled to a clear explanation of performance expectations. Performance evaluations are timely, honest, and impartial; personal improvement plans are reasonable and constructive; and we provide opportunities for professional development and promotion.

**INTEGRITY** • We inspire confidence by our high standards for member services and sound investment practices. We are reliable, ethical, and honest. Loyalty to LACERA means loyalty to members. Integrity guides all of our work relationships.

**TEAMWORK** • We are committed to teamwork and we openly share information and ideas. Working together to reach common goals is the essence of success.



# OUR OBJECTIVES

## • PRUDENT FIDUCIARY •

To act at all times as prudent fiduciaries, executing our responsibilities exclusively on behalf of our members, beneficiaries, and participating employers.

## • RESPONSIVE QUALITY SERVICE •

To provide responsive and consistent quality service using integrated cost-effective procedures and practices.

## • COMMUNICATION •

To promote and enhance the understanding of LACERA benefits among members, employers, County officials, and the public.

## • QUALITY WORKFORCE •

To develop a human resources program to recruit, train, develop, and promote qualified staff; provide a quality work environment and enhance the quality of life for our employees.

## • MANAGE GROWTH AND CHANGE •

To manage growth and change through planning, innovation, and the maximum use of available technology.

# STRATEGIC INITIATIVES



## Modernization of Information Technology

Information Technology plays a crucial role in every aspect of serving our membership. Our commitment to technological solutions dates back to the late 1980's when we built our own retirement processing data center, databases, and data programs. This effort continues with the transition to modern databases, graphical user interfaces, electronic documents and disaster redundancy.

### • Disability Retirement •

We are focusing our organizational energy on modernizing our disability investigation and appeal processes through revising Board policy, streamlining staff procedures, evaluating staffing deployment, changing operational expectations, improving accountability, creating new measurement structures, and developing new assistive technology tools.

Task	Implementation
Disability Process Modification	FY 2013-14
Disability Data Integration: Tracker	FY 2013-14
Disability Document Management	FY 2014-15
Disability Process Management	FY 2015-16
<b>Board and Management Metrics Reporting</b>	<b>FY 2016-17</b>
<b>Case Management</b>	<b>FY 2016-17</b>
<b>Digital Appeal Packages</b>	<b>FY 2016-17</b>
<b>Planning Writ Process Management</b>	<b>FY 2016-17</b>
Implement Writ Process Management	FY 2017-18
Appeal Process Management	FY 2017-18
Retire Legacy System: Tracker	FY 2017-18

## • Workspace •

The information system will facilitate member service while protecting membership information. The system environment and programs will be continually evaluated and updated. We look to improve the way we circulate the member's electronic document by creating a Job Ticket processing system.

<b>Task</b>	<b>Implementation</b>
Job Ticket 1.0 – Planning	FY 2013-14
Job Ticket 1.0 – Prototyping	FY 2014-15
Job Ticket 1.0 – Production	FY 2015-16
Replace Green Screens	FY 2015-16
Retire CICS	FY 2015-16
Update Estimate Program	FY 2016-17
COBOL Program Replacement – Planning	FY 2016-17
Job Ticket 2.0 – Reporting	FY 2016-17
Member Service Center Queue System – Planning	FY 2016-17
Call Recording – Benefits Division – Planning	FY 2016-17
Call Recording – Disability Division – Planning	FY 2016-17
Replace Call Recording System	FY 2017-18
Multiple Plan Streams	FY 2017-18
Reengineer 1 <sup>st</sup> Payment – Planning	FY 2017-18
Job Ticket 3.0 – Case Management	FY 2017-18
Job Ticket 4.0 – Audit Version	FY 2018-19

## • Electronic Board Package Delivery •

Provide Board members and staff an option to receive their meeting materials in a secure electronic format.

<b>Task</b>	<b>Implementation</b>
E-Board Packages – Board of Retirement	FY 2012-13
E-Board Packages – Board of Investments	FY 2013-14
E-Board Package – Disability Investigation Report	FY 2014-15
E-Board Package – Disability Medical Cases	FY 2015-16
E-Board Package – Disability Appeal Cases	FY 2017-18

## • LACERA.com •

Our website will support on-line transactions so that our members can self-service their accounts in a protected and expeditious manner.

<b>Process</b>	<b>Implementation</b>
Security Log-In	FY 2011-12
Direct Deposit	FY 2011-12
Tax Withholding	FY 2012-13
Beneficiary Update	FY 2013-14
Portal Redesign	FY 2015-16
<b>Intranet Redesign</b>	<b>FY 2016-17</b>
<b>On-Line Pension Verification</b>	<b>FY 2016-17</b>
<b>On-Line Form – Service Credit Purchase</b>	<b>FY 2016-17</b>
On-Line Form – Disability Application	FY 2017-18
Secure Message Center	FY 2015-16
LACERA.com Redesign	FY 2017-18
Retirement Election	FY 2017-18

## • Knowledge & Content Management •

Provide an Enterprise Content Management System (ECMS) that integrates a centralized search of all knowledge content. We expect to internally ingest the Board of Retirement's Committee documents and implement a user friendly tool to access our membership rules and plan information.

Task	Implementation
Digital Archive – BOR Back file - Implement	FY 2011-12
Digital Archive – BOI & BOR Committee Back file – RFP	FY 2013-14
Disability Medical Document Portal – Infrastructure	FY 2014-15
Disability Medical Document Portal – Training	FY 2015-16
Board Package Web Posting	FY 2015-16
Digital Archive: BOI Back file – Implement	FY 2015-16
Digital Archive: BOR Committee – Implement	FY 2015-16
<b>Digital Archive – Disability Case Back file – Evaluate</b>	<b>FY 2016-17</b>
Digital Archive – RFP	FY 2017-18
Digital Archive – Actuary Reports	FY 2018-19
Digital Archive – Accounting Reports	FY 2018-19
Digital Archive – Brochures	FY 2018-19
Digital Archive – Summary Plan Descriptions	FY 2018-19
Digital Archive – Retiree Healthcare Program	FY 2018-19

## • Retiree Healthcare Program •

In 1987 we embarked on an ambitious program to create our own benefit administration software application. Over the ensuing decades we have devoted considerable resources to support our retirement benefit administration and more recently our disability application work processes. Looking to the future, now is the time to begin planning how to best support the Retiree Healthcare Program with improved document control, workflow, and technology. Similar to our efforts in the disability application area, this will be a multi dimensional effort which will require us to evaluate Board policy, staff procedures, staffing deployment, operational expectations, accountability, and measurement structures.

<b>Task</b>	<b>Implementation</b>
<b>Develop Needs Assessment</b>	<b>FY 2016-17</b>



# Quality Ecosystem

Quality is paramount to the success of this organization. Quality must be ingrained in everything we do. Quality must be developed, nurtured and evolve as our staff, systems, processes and services transform. Our plan includes multiple initiatives to feed, care and grow our quality ecosystem.

## • In-Line Quality Audits •

LACERA made great strides building a quality ecosystem over the past 10 years. Our efforts include comprehensive training courses, data clean-up projects, apprenticeship programs, standardized business practices, and independent quality assurance. These practices achieved impressive results with our quality improving from 88% to a world class quality level exceeding 98%. Our next evolutionary step is to identify data anomalies and calculation errors earlier when working a member's account to prevent errors from reaching the member in the first place.

Task	Implementation
Develop In-Line Quality Program	FY 2012-13
Standardize and Test Audit Program	FY 2012-13
Train In-Line Auditors	FY 2012-13
Implement In-Line Audits	FY 2012-13
Increase the In-Line Audit ratio to 60%	FY 2015-16
Increase the In-Line Audit ratio to 75%	FY 2016-17
Assess Program Resource Requirements	FY 2016-17

## • **Advanced CERL Education (ACE) Certification** •

The International Foundation of Employee Benefits, in conjunction with the University of Pennsylvania, provides an outstanding educational certification in compensation management covering all aspects of benefits and compensation. This rigorous designation, known as the Certified Employee Benefit Specialist (CEBS), allows the student to specialize their CEBS certification into one of three specialty areas:

- *Compensation Management Specialist* - compensation and human resources
- *Group Benefits Associate* - healthcare and other group benefits
- *Retirement Plans Associate* - all aspects of retirement plans

While these are excellent educational opportunities, they do not specifically address plan design, practices, and procedures unique to LACERA. Our initial concept is for the ACE certification to serve as advanced certification available to LACERA's Claims Processing, Member Services, Retiree Healthcare, Quality Assurance, and Internal Audit staff. The program would include an eligibility test, class work, proficiency tests (class room and production), and continuing education requirements. It is our hope that this designation will be eligible for certification compensation.

<b>Task</b>	<b>Implementation</b>
<b>Develop ACE Program</b>	<b>FY 2016-17</b>
<b>Implement</b>	<b>FY 2017-18</b>
<b>Graduate Inaugural Class</b>	<b>FY 2018-19</b>



## • Succession Planning •

Succession planning is an important part of doing business, no matter how certain the future seems. It promotes strong leadership, facilitates organizational responsiveness, and builds team strength. A successful plan includes employees throughout the organization at all operational levels.

<b>Task</b>	<b>Implementation</b>
<b>Employee Survey – Planning</b>	<b>FY 2016-17</b>
<b>Employee Survey – Conduct</b>	<b>FY 2017-18</b>

## • Member Communications •

Members have important retirement choices to make, from plan selection when first hired through choosing the best date and retirement option at the end of their careers. It is our responsibility to provide the education they need to make good choices for their individual circumstances. Our strategic direction is to continue to expand and improve our communication to members by offering a wide variety of user-friendly, updated, informative, and creative educational tools that include print materials, seminars and workshops, website materials, videos, etc. We will review our current pre-retirement workshop and develop and offer topic-specific modules that members could choose from as alternatives.

<b>Task</b>	<b>Implementation</b>
<b>Outreach Web Video – Retirement</b>	<b>FY 2011-12</b>
<b>Outreach Web Video – New Member</b>	<b>FY 2014-15</b>
<b>Active Member Benefit Statement</b>	<b>FY 2016-17</b>
<b>Retirement Estimate Document</b>	<b>FY 2016-17</b>
<b>Retirement University – Course 1</b>	<b>FY 2016-17</b>
<b>Retirement University – Course 2</b>	<b>FY 2017-18</b>
<b>Member Survey – Customer Needs</b>	<b>FY 2017-18</b>

## • Student Internship Program •

The purpose of the LACERA Student Internship Program is to employ students at the graduate and undergraduate levels, in fields of study that will be beneficial to LACERA while providing the students with challenging work experience and exposure to the public pension industry and the business operations of a governmental entity. Through this program, LACERA hopes to increase awareness of the positive community impact made by public defined benefit plans and encourage students to pursue LACERA careers.

Task	Implementation
<b>Develop Program</b>	<b>FY 2016-17</b>
<b>Present Program for Board Approvals</b>	<b>FY 2016-17</b>
<b>Implement Program</b>	<b>FY 2016-17</b>

## • Member Centric Process Management •

Benefits Division has developed a Process Management Group (PMG) that has successfully managed its business rules, documentation and tools so that they are coordinated, standardized, and optimized through a continuous process improvement effort. Our Strategic Plan will expand this effort to include all member centric service divisions and business rule repositories.

Task	Implementation
<b>Develop Coordinated Procedures</b>	<b>FY 2016-17</b>
<b>Monitor and Harmonize Procedures</b>	<b>FY 2017-18</b>
<b>Audit Program</b>	<b>FY 2017-18</b>
<b>Develop Requirements for Knowledge System</b>	<b>FY 2018-19</b>



## Scrubbing Legacy Data

Our membership data is diverse, voluminous, and spans many decades of time. We maintain our membership data for perpetuity. The consequences of poor or incomplete data can magnify as time progresses and may cause serious ramifications to our members. The 1989-90 database conversion includes a series of poor or incomplete data that has placed a number of our members in harm's way. Our three year strategic plan places a high priority in scrubbing our legacy data.

### • Member Data Evaluation •

A multi-year project plan to identify and prioritize data clean-up projects that will improve processing accuracy and service to members.

Task	Implementation
Employee 1996 Contribution – 7,200	FY 2010-11
eHR Rate Change – 900	FY 2011-12
New Member Plan Elections – 7,400	FY 2011-12
Multiple Sworn Statements – 2,800	FY 2014-15
MOU Retroactive Salary Adjustments – 26,000	FY 2014-15
Missing Service Credit – 1,000	FY 2015-16
Back Contributions Uncollected – 1,000	FY 2015-16
Service Contract not Resident – 1,000	FY 2015-16
<b>Recalculate Contracts Uncompleted – 4,000</b>	<b>FY 2016-17</b>
Data Certification System	FY 2018-19



# Implementing PEPRA

The Public Employees' Pension Reform Act of 2013 (PEPRA) required LACERA to open new plan tiers, design information systems to support the new benefit structure, develop member communications, conduct staff training, and create new monitoring protocols. With the new plan tiers successfully launched, the organization needs to take a fresh look at the additional implementation efforts yet to be completed.

<b>Task</b>	<b>Implementation</b>
<b>PEPRA Implementation Needs Assessment</b>	<b>FY 2015-16</b>
<b>PEPRA Implementation Tactical Plan</b>	<b>FY 2016-17</b>

GR:RH:JP  
Strategic Plan Retirement Benefits 2017 Committee Proposal January 2016.docx



January 29, 2016

TO: Each Member,  
Board of Retirement

FROM: Ted Granger, CPA, CGMA, CRMA *TG*  
Assistant Financial Officer

FOR: February 11, 2016 Board of Retirement Meeting

SUBJECT: **COST-OF-LIVING INCREASES EFFECTIVE APRIL 1, 2016**

CONSUMER PRICE INDEX CHANGE

Sections 31870, 31870.1, and 31495.5 of the California Government Code govern cost-of-living increases for retired LACERA members and beneficiaries. These sections provide that the Board of Retirement shall, before April 1 of each year, determine whether there has been an increase or decrease in the cost-of-living, as shown by the Bureau of Labor Statistics Consumer Price Index (CPI) for All Urban Consumers for the area in which the county seat is situated, as of January 1 of each year.

Information concerning the Bureau of Labor Statistics CPI for All Urban Consumers for the Los Angeles-Riverside-Orange County, CA area is as follows:

CPI Index for Year Ended December 2015	245.36
CPI Index for Year Ended December 2014	240.48
CPI Index Change	<u>4.88</u>
CPI Percentage Change	2.03%
<b>LACERA 2016 COLA Award</b> (rounded to nearest one-half of 1%)	<b>2.0%</b>

MAXIMUM ALLOWABLE COST-OF-LIVING CHANGES

Every retirement allowance, optional death allowance, or annual death allowance payable to or on account of any member who retires or dies or who has retired or died shall, as of April 1 of each year, be increased or decreased by a percentage of the total allowance to approximate to the nearest one-half of 1%, the percentage of annual increase or decrease in the cost-of-living as of January 1 of each year subject to the following limitations:

- Section 31870.1 of the California Government Code governing cost-of-living increases for retired Plan A members and beneficiaries provides that such change shall not exceed 3% per year.
- Section 31870 of the California Government Code governing cost-of-living increases for retired Plans B, C, and D, as well as PEPRA Plans C and G, members and beneficiaries provides that such change shall not exceed 2% per year.
- Section 31495.5 of the California Government Code governing cost-of-living increases for retired Plan E members and beneficiaries provides that such change shall not exceed 2% per year for Plan E members who retire after June 4, 2002. Plan E members with service *prior* to adoption of the resolution will have their COLA benefit reduced.

## ACCUMULATED COST-OF-LIVING INCREASES

The above Code sections also provide that the amount of any CPI cost-of-living increase or decrease in any year which is not met by the maximum annual change of 3% or 2% in allowances shall be accumulated to be met by increases or decreases in allowances in future years. The accumulated percentage carryover is known as the *COLA Accumulation*.

## COST-OF-LIVING INCREASES EFFECTIVE APRIL 1, 2016

Based on the LACERA COLA award of 2.0% and applicable Government Code provisions, cost-of-living increases for retired members and beneficiaries, which may be approved to become effective April 1, 2016 based on retirement plan and date of retirement or death, are as follows:

- **PLAN A MEMBERS AND ELIGIBLE BENEFICIARIES**

- ALL DATES UP TO MARCH 31, 1982: 3.0%  
The 3.0% increase is from the LACERA COLA award of 2.0% plus 1.0% from the COLA Accumulation to equal the maximum allowable increase of 3.0%.
- APRIL 1, 1982 TO MARCH 31, 2016: 2.0%  
The 2.0% COLA increase equals the LACERA COLA award.

- **PLANS B, C, & D, AND PEPRA PLANS C & G MEMBERS AND ELIGIBLE BENEFICIARIES**

- ALL DATES: 2.0%  
The 2.0% COLA increase equals the LACERA COLA award.

- **PLAN E MEMBERS AND ELIGIBLE BENEFICIARIES**

- BEGINNING JUNE 4, 2002 TO MARCH 31, 2016: UP TO 2.0%  
Plan E COLA increases apply only to service credit earned after June 4, 2002. Plan E members who retire after June 4, 2002 will receive up to a 2% COLA increase. The portion of the 2% COLA is based upon a ratio defined as the months of service earned after June 4, 2002 divided by the total months of service.

## ADJUSTMENTS TO THE COLA ACCUMULATION FOR 2015

Based on the LACERA COLA award of 2.0% and applicable Government Code provisions, COLA Accumulation adjustments for retired members and beneficiaries, which may be approved to become effective April 1, 2016 based on retirement plan and date of retirement or death, are as follows:

- **PLAN A MEMBERS AND ELIGIBLE BENEFICIARIES (ATTACHMENT 1)**

- ALL DATES UP TO MARCH 31, 1982: 1.0% DECREASE  
As the LACERA COLA award was 2.0%, 1.0% was deducted from the COLA Accumulation to equal the maximum allowable increase of 3.0%.

- **APRIL 1, 1982 TO MARCH 31, 2016: NO CHANGE**  
The COLA Accumulation has a zero balance: there was no balance to draw from.
  
- **PLANS B, C, & D AND PEPRA PLANS C & G MEMBERS AND ELIGIBLE BENEFICIARIES (ATTACHMENTS 1 & 2)**
  - **ALL DATES: NO CHANGE**  
The COLA award is equal to maximum COLA amount: results in no change in COLA Accumulation balance.
  
- **PLAN E MEMBERS AND ELIGIBLE BENEFICIARIES (ATTACHMENT 3)**
  - **JUNE 4, 2002 TO MARCH 31, 2016: NO CHANGE**  
The COLA award is equal to maximum COLA amount: results in no change in COLA Accumulation balance.

The COLA Accumulation percentages as of April 1, 2016 are shown in the Attachments and reflect the above adjustments.

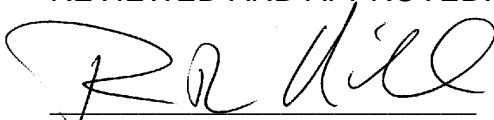
**THEREFORE, IT IS RECOMMENDED THAT THE BOARD OF RETIREMENT:**

For the year ended December 2015, determine the Consumer Price Index changed by 2.03% (or when rounded to the nearest one-half of 1% as the COLA benefit rules require, 2.0%: the LACERA 2016 COLA Award), and approve cost-of-living increases and respective COLA Accumulation adjustments for retired LACERA members and beneficiaries, based on retirement plan and date of retirement or death, to become effective April 1, 2016 in accordance with applicable California Government Code Sections.

RH:BSA:tg  
COLA BOR Memo 2016\_final.doc

Attachments

REVIEWED AND APPROVED:



Robert R. Hill  
Assistant Executive Officer

2/2/16  
Date





Cost-of-Living Accumulation Chart  
 Percentages as of April 1, 2016

Retirement Date	PEPRA Plans G and C			
	COLA % Accumulation 1-Apr-15	STAR Benefit Adjustment in 2016	COL Adjustment 1-Apr-16	COLA % Accumulation 1-Apr-16
1/1/2013 - 3/31/2013	0.0	0.0	0.0	<b>0.0</b>
4/1/2013 - 3/31/2014	0.0	0.0	0.0	<b>0.0</b>
4/1/2014 - 3/31/2015	0.0	0.0	0.0	<b>0.0</b>
4/1/2015 - 3/31/2016	0.0	0.0	0.0	<b>0.0</b>

Note: PEPRA Plans G and C were effective January 1, 2013.

Cost-of-Living Accumulation Chart  
 Percentages as of April 1, 2016

Retirement Date	Plan E		
	COLA % Accumulation 01-Apr-15	COL Adjustment 01-Apr-16	COLA % Accumulation 01-Apr-16
6/4/2002 - 3/31/2003	5.1	0.0	5.1
4/1/2003 - 3/31/2004	3.4	0.0	3.4
4/1/2004 - 3/31/2005	3.4	0.0	3.4
4/1/2005 - 3/31/2006	1.0	0.0	1.0
4/1/2006 - 3/31/2007	0.0	0.0	0.0
4/1/2007 - 3/31/2008	0.0	0.0	0.0
4/1/2008 - 3/31/2009	0.0	0.0	0.0
4/1/2009 - 3/31/2010	0.0	0.0	0.0
4/1/2010 - 3/31/2011	0.0	0.0	0.0
4/1/2011 - 3/31/2012	0.0	0.0	0.0
4/1/2012 - 3/31/2013	0.0	0.0	0.0
4/1/2013 - 3/31/2014	0.0	0.0	0.0
4/1/2014 - 3/31/2015	0.0	0.0	0.0
4/1/2015 - 3/31/2016	0.0	0.0	0.0

Notes: Plan E is ineligible for STAR COLA benefits.  
 Plan E COLA benefit was effective June 4, 2002.



January 29, 2016

**TO:** Each Member,  
Board of Retirement

**FROM:** Ted Granger, CPA, CGMA, CRMA *TG*  
Assistant Financial Officer

**FOR:** February 11, 2016 Board of Retirement Meeting

**SUBJECT: Disability Case Review CPI Increase in Compensation  
Effective April 1, 2016**

BOARD COMPENSATION FOR REVIEW OF DISABILITY CASES

Section 31521.3 of the California Government Code provides that the fourth, fifth, sixth, eighth, ninth, and alternate retired members of the Board of Retirement receive compensation for the review and analysis of disability retirement cases. Compensation is, therefore, payable to the appointed and retired Board members only. Compensation is also limited to the first time a case is considered by the Board of Retirement. The number of hours of compensation may not exceed 32 hours per month. The Board of Supervisors originally set the compensation at \$100 for an eight-hour day, which is prorated for less than eight hours of work in a single day. The hourly rate equated to \$12.50 per hour.

Also, Section 31521.3 provides that beginning on or before March 31, 2010, and on or before March 31 of each even-numbered year thereafter, the Board of Retirement may adjust the compensation biennially to reflect any change in the Consumer Price Index for the Los Angeles, Riverside, and Orange County areas that occurred in the previous two calendar years, rounded to the nearest dollar. Effective April 1, 2014, your Board approved the current compensation for the review and analysis of disability retirement cases of \$109 per day for an eight-hour day.

CONSUMER PRICE INDEX CHANGE

Information concerning the Bureau of Labor Statistics CPI for All Urban Consumers for the Los Angeles-Riverside-Orange County, CA area for the two years is as follows:

CPI Index for year ended December 2015	245.36
CPI Index for year ended December 2013	<u>238.74</u>
CPI Index Change from 2013 to 2015	<u>6.62</u>
CPI Percentage Change	<u><u>2.77%</u></u>

Based on the CPI increase of 2.77% over the last two calendar years, the disability case review compensation for an eight-hour day of work will increase from \$109 to \$112 (\$112.02, rounded to the nearest dollar). The new hourly rate equates to \$14.00 per hour.

**THEREFORE, IT IS RECOMMENDED THAT THE BOARD OF RETIREMENT:**

Determine the Consumer Price Index changed by 2.77% for the last two calendar years ended December 2015, and adjust the compensation for the review and analysis of disability retirement cases to \$112 per day for an eight-hour day, effective April 1, 2016.

RH:BSA:tg  
Disability Case Review CPI 2016\_final.doc

REVIEWED AND APPROVED:



Robert R. Hill  
Assistant Executive Officer

2/2/16

Date

February 1, 2016

TO: Each Member  
Board of Investments  
Board of Retirement

FROM: Barry W. Lew   
Legislative Affairs Officer

FOR: February 10, 2016 Board of Investments Meeting  
February 11, 2016 Board of Retirement Meeting

SUBJECT: **PROPOSED AMENDMENTS TO LEGISLATION ON DISTRICT STATUS  
FOR 1937 ACT COUNTY EMPLOYEES RETIREMENT SYSTEMS**

#### **RECOMMENDATION**

That your Boards approve and authorize staff to work with LACERA's legislative advocate to submit appropriate amendments to SACRS-sponsored legislation permitting 1937 Act county employees retirement systems to assume status as independent districts.

The amendments would give LACERA the option, if the legislation becomes law, to adopt district status in the future on the vote of both the Board of Retirement and the Board of Investments.

Because this memo will be considered by the Board of Investments before the Board of Retirement, it is recommended that action on this memo expressly be contingent on the approval of both Boards.

#### **BACKGROUND**

Each year, the 20 counties operating under the County Employees Retirement Law of 1937 (CERL) are asked to submit proposals to the SACRS Legislative Committee for inclusion in the SACRS legislative platform. It is SACRS's practice that proposals submitted should have application to all CERL systems rather than an individual system; that they should not propose new benefits that will be paid for by the plan sponsor; and that they should not create major issues, such as conflicts with Proposition 162 or with any of the 19 other CERL systems.

A proposal regarding district status for 1937 Act county employees retirement systems was approved on September 15, 2015 by the SACRS Legislative Committee for inclusion in the SACRS 2016 legislative platform.



The proposal would provide the board of retirement of any 1937 Act county with the option to make an election for the retirement system to become an independent district. Currently, the Orange County, San Bernardino County, Contra Costa County, and, most recently, Ventura County systems are independent districts pursuant to statutes that only apply to those systems.

The proponents of the proposal assert: District status would enable retirement systems located in counties that do not currently recognize the system's compensation setting authority to directly recruit top-level and senior management personnel. As employees of the retirement system rather than the county, these personnel would have more independence to enforce the anti-spiking provisions of the California Public Employee's Pension Reform Act of 2013 (PEPRA). It would allow the retirement system to offer compensation competitive with the private sector to attract and retain such personnel. All other personnel not designated as employees of the district will be employees of the county. (Attached as Attachment A is a fact sheet from the SACRS Legislative Committee that provides additional background information regarding the reasons for the proposal.)

On November 4, 2015, the LACERA Board of Retirement directed its SACRS voting delegate to support inclusion of the item on district status in the SACRS 2016 legislative platform.

At the SACRS Business Meeting on November 20, 2015, the item on district status was presented for consideration but was postponed to the May 2016 SACRS Conference because the boards of certain systems had not yet had an opportunity to consider the issue.

A bill has now been prepared by SACRS in conjunction with Legislative Counsel's Office and is expected to be introduced in the Legislature in the near future. (Attached as Attachment B is a copy of the draft bill.)

## **DISCUSSION**

The draft bill raises two issues specifically related to LACERA that require amendment to ensure that LACERA will have the same option as any other 1937 Act system to invoke district status.

### **1. Appointment of Personnel Specific to LACERA**

The proposed legislation specifies that—if the board of retirement elects to become a district—employees who were appointed under Government Code Sections 31522.1, 31522.2, and 31522.3 would cease to be county employees and would become employees of the retirement system. Since the intent of the legislation is to cover all

retirement systems within the 1937 Act, Government Code Section 31522.4, which is specific to the appointment of LACERA personnel, should also be enumerated within the relevant parts of the legislation.

## **2. Board of Investments Action, in Addition to Board of Retirement Action**

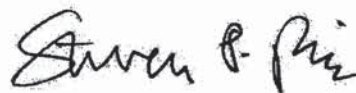
LACERA is the only 1937 Act system that has a board of investments. Government Code Sections 31522.1, 31522.2, 31522.3, and 31522.4 authorize both the Board of Retirement and the Board of Investments to appoint personnel. Because adoption of district status would be a major structural change in the operation of LACERA affecting the entire organization, including matters within the jurisdiction of both the Board of Retirement and the Board of Investments, the proposed legislation should specify that, in LACERA's case, action by both of LACERA's Boards is required.

### **CONCLUSION**

Staff is proposing these amendments for the purpose of effectuating the intent of the legislation to create a legislative template that enables the boards of any retirement system, including LACERA, to elect district status.

**IT IS THEREFORE RECOMMENDED THAT YOUR BOARDS** approve and authorize staff to work with LACERA's legislative advocate to submit appropriate amendments to SACRS-sponsored legislation permitting 1937 Act county employees retirement systems to assume status as independent districts.

**Reviewed and Approved:**



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**Steven P. Rice, Chief Counsel**

### **Attachments**

cc: Gregg Rademacher  
Robert Hill  
John J. Popowich  
Joe Ackler, Ackler and Associates

# ATTACHMENT A



## **SACRS County Retirement System District Proposal**

### **District Status for all 1937 Act County Employee Retirement Systems: What does District Status Mean?**

The State Association of County Retirement Systems is proposing District status authorization all 1937 Act county employee retirement systems. District status means that employees of individual county retirement systems shall no longer be employees of the county, but employees of the board of retirement. The proposal will allow county boards of retirement to select among different options for District status that best suits the organization and the county:

- **District Status for Management Personnel Only** – This is the District status currently in place at Orange, San Bernardino and Contra Costa counties, pursuant to California Government Code Sections 31468 & 31522.5.
- **Selected Personnel District Status** – This option would identify the exact positions designated for District status, similar to AB 1291/Ch. 223, Statutes of 2015, which designated specific positions for the Ventura County Employees Retirement System District status.
- **Full Department District Status** – This option would authorize the entire staff of the county retirement system to become employees of the Board of Retirement.

### **Why is SACRS Proposing District Status for all 1937 Act Counties?**

The laws governing 1937 Act County retirement systems were written in a less complex financial world. Not only have financial markets and client services changed dramatically since 1937 but the needs of county governments have as well. Originally the county pension systems established under the 1937 Retirement Act were simply small departments in the county treasurers' offices. Gradually, over time, retirement systems have evolved and grown, moving into

their own offices, serving thousands of members, and hiring additional, specialized staff. Those changes are accelerating in the 21<sup>st</sup> Century.

Today all but three independent county systems have responsibility for managing assets well over \$1 billion. Contra Costa, Sacramento, Alameda, San Bernardino, San Diego, & Orange are all well beyond \$7 billion in assets, with LACERA, the largest, managing more than \$50 billion. District status provides the greatest degree of organizational flexibility to manage large asset pools and ensure service to county employees is paramount to the mission of the retirement system.

### **The Impact of PEPRA on County Retirement Systems**

With the enactment of the Public Employee Pension Reform Act in 2012, boards of retirement have been charged with identifying violations of the statute's anti-spiking provisions. PEPRA requires boards of retirement to disallow new pay elements that could be deemed as spiking the pension. Granting county boards of retirement greater independence will actually better align their authority to their current duties and responsibilities and assist in fulfillment of their new anti-spiking mandate.

### **Recent District Status Authorization History**

In 2014 Contra Costa County enacted SB 673 (DeSaulnier) in accordance with litigation that included District status. In 2015, the Ventura County Employees Retirement Association enacted AB 1291 (Williams) that offered a partial District status structure for the retirement system. Both county retirement systems will be able to utilize District status in the current post-PEPRA environment to better fulfill their mandate.

## **What are the Costs of District status? Governance & Transparency Remain In Place**

Currently, the budgets of 1937 Act county retirement systems are separate from county budgets and the total budget amount is fixed in state law. The total expenditure for county retirement system administration comes from the investment earnings of the retirement funds under management. This amount capped in statute and this District proposal will not change the current cap. District status will not change the current governance structure of county retirement systems. All current directly elected and appointed members of county boards of retirement will remain in place. In addition, all current laws and regulations regarding transparency and public notice and reporting will remain in place and are unaffected by this proposal. The boards of retirement will also retain their fiduciary duties for management of the systems.

# ATTACHMENT B



# AUTHOR'S COPY

An act to amend Sections 31468, 31522.5, 31522.7, 31522.9, 31528, 31529.9, 31535, and 31580.2 of, and to add Section 31522.75 to, the Government Code, relating to county employees' retirement.



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## THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 31468 of the Government Code is amended to read:

31468. (a) "District" means a district, formed under the laws of the state, located wholly or partially within the county other than a school district.

(b) "District" also includes any institution operated by two or more counties, in one of which there has been adopted an ordinance placing this chapter in operation.

(c) "District" also includes any organization or association authorized by Chapter 26 of the Statutes of 1935, as amended by Chapter 30 of the Statutes of 1941, or by Section 50024, which organization or association is maintained and supported entirely from funds derived from counties, and the board of any retirement system is authorized to receive the officers and employees of that organization or association into the retirement system managed by the board.

(d) "District" also includes, but is not limited to, any sanitary district formed under Part 1 (commencing with Section 6400) of Division 6 of the Health and Safety Code.

(e) "District" also includes any city, public authority, public agency, and any other political subdivision or public corporation formed or created under the constitution or laws of this state and located or having jurisdiction wholly or partially within the county.

(f) "District" also includes any nonprofit corporation or association conducting an agricultural fair for the county pursuant to a contract between the corporation or association and the board of supervisors under the authority of Section 25905.



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(g) "District" also includes the Regents of the University of California, but with respect only to employees who were employees of a county in a county hospital, who became university employees pursuant to an agreement for transfer to the regents of a county hospital or of the obligation to provide professional medical services at a county hospital, and who under that agreement had the right and did elect to continue membership in the county's retirement system established under this chapter.

(h) "District" also includes the South Coast Air Quality Management District, a new public agency created on February 1, 1977, pursuant to Chapter 5.5 (commencing with Section 40400) of Part 3 of Division 26 of the Health and Safety Code.

(1) Employees of the South Coast Air Quality Management District shall be deemed to be employees of a new public agency occupying new positions on February 1, 1977. On that date, those new positions are deemed not to have been covered by any retirement system.

(2) No retirement system coverage may be effected for an employee of the South Coast Air Quality Management District who commenced employment with the district during the period commencing on February 1, 1977, and ending on December 31, 1978, unless and until the employee shall have elected whether to become a member of the retirement association established in accordance with this chapter for employees of Los Angeles County or the retirement association established in accordance with this chapter for employees of San Bernardino County. The election shall occur before January 1, 1980. Any employee who fails to make the election provided for herein shall be deemed to have elected to become a member of the retirement association established in accordance with this chapter for the County of Los Angeles.



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(3) The South Coast Air Quality Management District shall make application to the retirement associations established in accordance with this chapter for employees of Los Angeles County and San Bernardino County for coverage of employees of the South Coast Air Quality Management District.

(4) An employee of the South Coast Air Quality Management District who commenced employment with the district during the period commencing on February 1, 1977, and ending on December 31, 1978, and who has not terminated employment before January 1, 1980, shall be covered by the retirement association elected by the employee pursuant to paragraph (2). That coverage shall be effected no later than the first day of the first month following the date of the election provided for in paragraph (2).

(5) Each electing employee shall receive credit for all service with the South Coast Air Quality Management District. However, the elected retirement association may require, as a prerequisite to granting that credit, the payment of an appropriate sum of money or the transfer of funds from another retirement association in an amount determined by an enrolled actuary and approved by the elected retirement association's board. The amount to be paid shall include all administrative and actuarial costs of making that determination. The amount to be paid shall be shared by the South Coast Air Quality Management District and the employee. The share to be paid by the employee shall be determined by good faith bargaining between the district and the recognized employee organization, but in no event shall the employee be required to contribute more than 25 percent of the total amount required to be paid. The elected retirement association's board may not grant that credit for that prior service unless



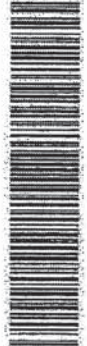


the request for that credit is made to, and the required payment deposited with, the elected retirement association's board no earlier than January 1, 1980, and no later than June 30, 1980. The foregoing shall have no effect on any employee's rights to reciprocal benefits under Article 15 (commencing with Section 31830),

(6) An employee of the South Coast Air Quality Management District who commenced employment with the district after December 31, 1978, shall be covered by the retirement association established in accordance with this chapter for employees of San Bernardino County. That coverage shall be effected as of the first day of the first month following the employee's commencement date.

(7) Notwithstanding paragraphs (2) and (4) above, employees of the South Coast Air Quality Management District who were employed between February 1, 1977, and December 31, 1978, and who terminate their employment between February 1, 1977, and January 1, 1980, shall be deemed to be members of the retirement association established in accordance with this chapter for the employees of Los Angeles County commencing on the date of their employment with the South Coast Air Quality Management District.

(i) "District" also includes any nonprofit corporation that operates one or more museums within a county of the 15th class, as described by Sections 28020 and 28036 of the Government Code, as amended by Chapter 1204 of the Statutes of 1971, pursuant to a contract between the corporation and the board of supervisors of the county, and that has entered into an agreement with the board and the county setting forth the terms and conditions of the corporation's inclusion in the county's retirement system.



(j) "District" also includes any economic development association funded in whole or in part by a county of the 15th class, as described by Sections 28020 and 28036 of the Government Code, as amended by Chapter 1204 of the Statutes of 1971, and that has entered into an agreement with the board of supervisors and the county setting forth the terms and conditions of the association's inclusion in the county's retirement system.

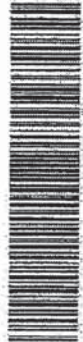
(k) "District" also includes any special commission established in the Counties of Tulare and San Joaquin as described by Section 14087.31 of the Welfare and Institutions Code, pursuant to a contract between the special commission and the county setting forth the terms and conditions of the special commission's inclusion in the county's retirement system with the approval of the board of supervisors and the board of retirement.

(l) (1) "District" also includes the retirement system established under this chapter in Orange County.

(2) "District" also includes the retirement system established under this chapter in San Bernardino County at such time as the board of retirement, by resolution, makes this section applicable in that county.

(3) "District" also includes the retirement system established under this chapter in Contra Costa County.

(4) "District" also includes the retirement system established under this chapter in Ventura County.





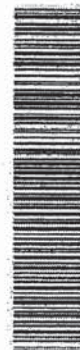
(5) "District" also includes a retirement system established under this chapter at the time that the board of retirement, by resolution, makes this section applicable to the retirement system in that county.

(m) "District" also includes the Kern County Hospital Authority, a public agency that is a local unit of government established pursuant to Chapter 5.5 (commencing with Section 101852) of Part 4 of Division 101 of the Health and Safety Code.

SEC. 2. Section 31522.5 of the Government Code is amended to read:

31522.5. (a) In a county in which the board of retirement has appointed personnel pursuant to Section 31522.1, the board of retirement may appoint an administrator, an assistant administrator, a chief investment officer, senior management employees next in line of authority to the chief investment officer, subordinate administrators, senior management employees next in line of authority to subordinate administrators, and legal counsel.

(b) Notwithstanding any other provision of law, the personnel appointed pursuant to this section may not be county employees but shall be employees of the retirement system, subject to terms and conditions of employment established by the board of retirement. Except as specifically provided in this subdivision, all other personnel shall be county employees for purposes of the county's employee relations resolution, or equivalent local rules, and the terms and conditions of employment established by the board of supervisors for county employees, including those set forth in a memorandum of understanding.



(c) Except as otherwise provided by Sections 31529.9 and 31596.1, the compensation of personnel appointed pursuant to this section shall be an expense of administration of the retirement system, pursuant to Section 31580.2.

(d) The board of retirement and board of supervisors may enter into any agreements as may be necessary and appropriate to carry out the provisions of this section.

(e) Section 31522.2 is not applicable to any retirement system that elects to appoint personnel pursuant to this section.

(f) This section shall apply ~~only~~ in Orange County.

(g) This section shall apply to the retirement system established under this chapter in San Bernardino County at such time as the board of retirement, by resolution, makes this section applicable in that county.

(h) This section shall apply to a retirement system established under this chapter at the time that the board of retirement, by resolution, makes this section applicable in that county.

SEC. 3. Section 31522.7 of the Government Code is amended to read:

31522.7. (a) In addition to the authority provided pursuant to Section 31522.5, the board of retirement in the County of San ~~Bernardino~~ Bernardino, or in any other county in which this section has been made applicable, may appoint an administrator, an assistant administrator, a chief investment officer, senior management employees next in line of authority to the chief investment officer, subordinate administrators, senior management employees next in line of authority to subordinate administrators, supervisors and employees with specialized training and knowledge in pension benefit.





member services, investment reporting compliance, investment accounting, pension benefit tax reporting, pension benefit financial accounting, pension law, and legal counsel.

(b) Notwithstanding any other provision of law, the personnel appointed pursuant to this section may not be county employees but shall be employees of the retirement system, subject to terms and conditions of employment established by the board of retirement. Except as specifically provided in this subdivision, all other personnel shall be county employees for purposes of the county's employee relations resolution, or equivalent local rules, and the terms and conditions of employment established by the board of supervisors for county employees, including those set forth in a memorandum of understanding.

(c) Except as otherwise provided by Sections 31529.9 and 31596.1, the compensation of personnel appointed pursuant to this section shall be an expense of administration of the retirement system, pursuant to Section 31580.2.

(d) The board of retirement and board of supervisors may enter into any agreements as may be necessary and appropriate to carry out the provisions of this section.

(e) Section 31522.2 is not applicable if the retirement system elects to appoint personnel pursuant to this section.

(f) This section shall apply ~~only~~ to the retirement system established under this chapter in San Bernardino County at such time as the board of retirement, by resolution, makes this section applicable in that county.



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(g) This section shall apply to a retirement system established under this chapter at the time that the board of retirement, by resolution, makes this section applicable in that county.

SEC. 4. Section 31522.75 is added to the Government Code, immediately following Section 31522.7, to read:

31522.75. (a) Any retirement system established under this chapter, including a retirement system that, at the time of the enactment of this section, is operating pursuant to Section 31522.5, 31522.7, or 31522.9, may elect to make this section, Section 31468, and Section 31522.5, 31522.7, or 31522.9, applicable to the retirement system upon adoption of a resolution by the board of retirement.

(b) A board of retirement may elect to appoint personnel, or may authorize the retirement administrator to appoint personnel, to administer the system as provided in this section.

(c) (1) Notwithstanding any other law, the personnel appointed pursuant to this section and the sections referenced in subdivision (a) shall not be county employees, but shall be employees of the retirement system, subject to terms and conditions of employment established by the board of retirement and the provisions of this section.

(2) A county employee to whom the California Public Employees' Pension Reform Act of 2013 (Article 4, commencing with Section 7522 of Chapter 21 of Division 7 of Title 1) did not apply before becoming a retirement system employee shall maintain that status as an employee of the retirement system.



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(3) For purposes of employment by a subsequent public employer, as described in paragraph (1) of subdivision (c) of Section 7522.02, the retirement system shall have the status of the county as a subsequent employer.

(4) With regard to an individual who was employed by the county before January 1, 2013, and who becomes a retirement system employee and then changes employment positions as described in paragraph (2) of subdivision (c) of Section 7522.02, the retirement system shall have the former obligations of the county to provide a defined benefit plan that otherwise would have been available to the employee had he or she remained a county employee.

(d) Any employees who were previously appointed to retirement system personnel positions pursuant to Section 31522.2 or 31522.3 shall cease to be county employees and shall become retirement system employees at their existing or equivalent classifications as of the date the board of retirement makes this section applicable pursuant to subdivision (a), subject to any subsequent revisions the retirement board may make pursuant to regulations governing terms and conditions of employment, and when applicable, the provisions of a subsequent memoranda of understanding or bargaining agreement covering the employee.

(e) Any employees who were previously appointed to retirement system personnel positions pursuant to Section 31522.1 and are subsequently appointed as retirement system employees pursuant to subdivision (a) shall cease to be county employees and shall become retirement system employees at their existing or equivalent classifications as of the date the board of retirement makes this section applicable.



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(f) A retirement system that elects to make this section applicable shall recognize as the exclusive representative of those former county employees who become retirement system employees the employee organization that represented those employees, if any, and shall honor the provisions in any memoranda of understanding or bargaining agreement in effect on the date the board of retirement makes this section applicable for the duration of the memoranda of understanding or bargaining agreement.

(g) The following shall apply to those persons who become retirement system employees pursuant to this section:

(1) Employment seniority of a retirement system employee, including, but not limited to, an employee's continuous service date used for purposes of retirement or other benefits, as calculated and used under the county system in effect before the date this section becomes applicable, shall be calculated and used in the same manner by the retirement system at the time the county employee becomes a retirement system employee, subject to any subsequent revisions the retirement board may make pursuant to regulations governing terms and conditions of employment, and when applicable, the provisions of a subsequent memoranda of understanding or bargaining agreement covering the employee.

(2) Retirement system employees shall have the same status they had as probationary, permanent, or regular employees under the county system in effect on the date this section becomes applicable, subject to any subsequent revisions the retirement board may make pursuant to regulations governing terms and conditions of employment, and when applicable, the provisions of a subsequent memoranda of understanding or bargaining agreement covering the employee.



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(3) Retirement system employees shall receive their same salary rates, leaves of absence, leave accrual rates, including all related compensation rules and provisions applicable to those salary rates, leaves, and accrual rates as under the county system on the date this section becomes applicable, subject to any subsequent revisions the retirement board may make pursuant to regulations governing terms and conditions of employment, and when applicable, the provisions of a subsequent memoranda of understanding or bargaining agreement covering the employee.

(4) (A) Retirement system employees shall be afforded the opportunity to participate in county benefit plans and programs, including, but not limited to, group health, dental and life insurance, workers' compensation, and deferred compensation that existed on the date this section becomes applicable, under the same terms and conditions as those programs were available to county employees. The retirement board shall contract with the county to administer the county benefit plans and programs for retirement system employees, under the same terms and conditions applicable to county employees, and shall provide the employer cost for participation in the programs unless and until the retirement board chooses to provide different benefits or different benefit levels through another provider.

(B) The participation of retirement system employees in county benefit plans or programs, and the county's administration of certain compensation or benefits for retirement employees pursuant to this section, shall not create or be construed to create, a meet and confer obligation between the county and any employee organization recognized to represent retirement system employees.



(h) The board of retirement and the county may enter into any agreements necessary and appropriate to carry out this section.

(i) Sections 31522.1, 31522.2 and 31522.3 shall no longer apply to a retirement system that has made this section applicable.

(j) Upon adoption of this section, the board of retirement may make regulations consistent with this chapter, and the provisions of Section 31525 that require approval of retirement board regulations by the board of supervisors shall no longer apply.

(k) The compensation of personnel appointed pursuant to this section shall be an expense of administration of the retirement system pursuant to Section 31580.2, except as provided in Section 31522.5, 31522.7, or 31522.9, as those sections may apply to a retirement system that has adopted them.

(l) This section shall not be construed as to modify any authority, or to require any subsequent action by, a retirement system that has made Section 31468 and Section 31522.5, 31522.7, 31522.9, or 31522.10 applicable to the retirement system prior to the effective date of this section.

(m) Any retirement system that has elected to make either Section 31522.5, 31522.7, or 31522.9 applicable upon adoption of a subsequent resolution by the board of retirement may make a different section apply.

SEC. 5. Section 31522.9 of the Government Code is amended to read:

31522.9. (a) The board of retirement of a county may appoint a retirement administrator and other personnel as are required to accomplish the necessary work of the board. The board may authorize the administrator to make these appointments on its behalf. Notwithstanding any other law, the personnel so appointed shall not be



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county employees but shall become employees of the retirement system, subject to terms and conditions of employment established by the board of retirement, including those set forth in memoranda of understanding executed by the board of retirement and recognized employee organizations.

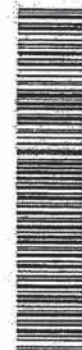
(b) Sections 31522.1 and 31522.2 shall not apply to a retirement system that appoints personnel pursuant to this section.

(c) The retirement system that appoints personnel pursuant to this section is a public agency for purposes of the Meyers-Milius-Brown Act (Chapter 10 (commencing with Section 3500) of Division 4).

(d) The compensation of personnel appointed pursuant to this section shall be an expense of administration of the retirement system, pursuant to Section 31580.2, except as provided in Sections 31529.5, 31529.9, and 31596.1.

(e) The board of retirement and the board of supervisors may enter into agreements as they determine are necessary and appropriate in order to carry out the provisions of this section.

(f) The retirement system, upon the effective date of this section, shall retain, for a 90-day transition employment period, nonprobationary employees who, upon the effective date of this section, were covered by a county memorandum of understanding and employed by the county at the retirement system's facilities, unless just cause exists to terminate the employees or legitimate grounds exist to lay off these employees. If during the 90-day period the retirement system determines that a layoff of these employees is necessary, the retirement system shall retain the employees by seniority within job classification. The terms and conditions of employment of the employees



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retained pursuant to this subdivision shall be subject to the terms and conditions established by the applicable memoranda of understanding executed by the board of retirement and the recognized employee organizations. During the 90-day transition period, probationary employees shall maintain only those rights they initially acquired pursuant to their employment with the county.

(g) Subject to the employees' rights under the Meyers-Milias-Brown Act (Chapter 10 (commencing with Section 3500) of Division 4), the retirement system, upon the effective date of this section, shall recognize as the exclusive representative of the employees retained pursuant to subdivision (f) the recognized employee organizations that represented those employees when employed by the county. The initial terms and conditions for those employees shall be as previously established by the applicable memoranda of understanding executed by the county and recognized employee organizations.

(h) This section shall apply ~~only~~ in Contra Costa County.

(i) This section shall apply to a retirement system established under this chapter at the time that the board of retirement, by resolution, makes this section applicable in that county.

SEC. 6. Section 31528 of the Government Code is amended to read:

31528. (a) Unless permitted by this chapter, a member or employee of the board shall not become an endorser, surety, or obligor on, or have any personal interest, direct or indirect, in the making of any investment for the board, or in the gains or profits accruing from those investments. A member or employee of the board shall not directly or indirectly, for himself or herself, or as an agent or partner of others, borrow or use





any of the funds or deposits of the retirement system, except to make current and necessary payments authorized by the board.

(b) A member or employee of the board shall not, directly or indirectly, by himself or herself, or as an agent or partner or employee of others, sell or provide any investment product that would be considered an asset of the fund, to any retirement system established pursuant to this chapter.

(c) An individual who held a position designated in Section 31522.3, 31522.4, ~~or 31522.5, 31522.5~~, or established pursuant to Section 31522.75, or was a member of the board or an administrator, shall not, for a period of two years after leaving that position, for compensation, act as agent or attorney for, or otherwise represent, any other person except the county, by making any formal or informal appearance before, or any oral or written communication to, the retirement system, or any officer or employee thereof, if the appearance or communication is made for the purpose of influencing administrative or legislative action, or any action or proceeding involving the issuance, amendment, awarding, or revocation of a permit, license, grant, contract, or sale or purchase of goods or property.

SEC. 7. Section 31529.9 of the Government Code is amended to read:

31529.9. (a) In addition to the powers granted by Sections 31522.5, 31522.75, 31522.9, 31529, 31529.5, 31614, and 31732, the board of retirement and the board of investment may contract with the county counsel or with attorneys in private practice or employ staff attorneys for legal services.

(b) Notwithstanding Sections 31522.5, 31522.7, 31522.75, 31529.5, and 31580, the board shall pay, from system assets, reasonable compensation for the legal services.



(c) This section applies to any county of the 2nd class, 7th class, 9th class, 14th class, 15th class, or the 16th class as described by Sections 28020, 28023, 28028, 28030, 28035, 28036, and 28037.

(d) This section shall also apply to any other county if the board of retirement, by resolution adopted by majority vote, makes this section applicable in the county.

SEC. 8. Section 31535 of the Government Code is amended to read:

31535. The board may issue subpoenas and subpoenas duces tecum, and compensate persons subpoenaed. This power shall be exercised and enforced in the same manner as the similar power granted the board of supervisors in Article 9 (commencing with Section 25170) of Chapter 1, Part 2, Division 2; except that the power shall extend only to matters within the retirement board's jurisdiction, and committees of the board shall not have this power. Reasonable fees and expenses may be provided for by board regulation for any or all of such witnesses regardless of which party subpoenaed them.

Subpoenas shall be signed by the chairman or secretary of the retirement board, except that the board may by regulation provide for express written delegation of its subpoena power to any referee it appoints pursuant to this chapter or to any administrator appointed pursuant to ~~Section 31522.2, 31522.2, 31522.5, 31522.7, 31522.9, or~~ 31522.10.

Any member of the board, the referee, or any person otherwise empowered to issue subpoenas may administer oaths to, or take depositions from, witnesses before the board or referee.

SEC. 9. Section 31580.2 of the Government Code is amended to read:





31580.2. (a) In counties in which the board of retirement, or the board of retirement and the board of investment, have appointed personnel pursuant to Section 31522.1, 31522.5, 31522.7, 31522.75, 31522.9, or 31522.10, the respective board or boards shall annually adopt a budget covering the entire expense of administration of the retirement system which expense shall be charged against the earnings of the retirement fund. The expense incurred in any year may not exceed the greater of either of the following:

(1) Twenty-one hundredths of 1 percent of the accrued actuarial liability of the retirement system.

(2) Two million dollars (\$2,000,000), as adjusted annually by the amount of the annual cost-of-living adjustment computed in accordance with Article 16.5 (commencing with Section 31870).

(b) Expenditures for computer software, computer hardware, and computer technology consulting services in support of these computer products shall not be considered a cost of administration of the retirement system for purposes of this section.



# AUTHOR'S COPY

## LEGISLATIVE COUNSEL'S DIGEST

Bill No.

as introduced, Cooper.

General Subject: County employees' retirement; districts; retirement system governance.

The County Employees Retirement Law of 1937 (CERL) authorizes counties to establish retirement systems pursuant to its provisions in order to provide pension benefits to their employees. CERL defines a district for these purposes, includes specified county retirement systems within that definition, and permits a district to participate in CERL retirement systems. CERL generally provides that the personnel of a county retirement system are county employees, subject to county civil service provisions and salary ordinances, but also authorizes the boards of retirement in specified counties to adopt provisions providing for the appointment of personnel who are to be employees of the retirement system, as well as other administrative provisions that reflect the independence of the retirement system from the county.

The California Public Employees' Pension Reform Act of 2013 (PEPRA) requires a public retirement system, as defined, to modify its plan or plans to comply with the



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act and establishes new retirement formulas that a public employer offering a defined benefit pension plan for employees first hired on or after January 1, 2013, may not exceed. PEPRAs authorizes individuals who were employed by any public employer before January 1, 2013, and who became employed by a subsequent public employer for the first time on or after January 1, 2013, to be subject to the retirement plan that would have been available to employees of the subsequent employer who were first employed by the subsequent employer on or before December 31, 2012, if the individual was subject to reciprocity, as specified.

This bill would authorize the retirement board of any retirement system operating under CERL to elect, by resolution, to be a district under the law. The bill would authorize a board to adopt, by resolution, specified administrative provisions that would classify various personnel of the retirement system as employees of the retirement system and not employees of the county. In regard to county employees who would become retirement system employees, the bill would prescribe requirements in connection with their compensation and employment benefits and status. These provisions would include maintaining their county retirement benefits that would otherwise be reduced under PEPRAs, keeping their employment classifications, and affording employees the opportunity to continue participation in group health and dental plans, among other plans and programs. The bill would also prescribe requirements regarding labor negotiations and the continuity of labor agreements. The bill would grant a retirement system electing these provisions the authority to adopt the regulations and enter into the agreements necessary to implement them. The bill would authorize retirement systems currently operating under alternative administrative



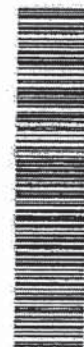
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structures also to adopt these provisions. The bill would make various technical and conforming changes.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.



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February 1, 2016

TO: Each Member  
Board of Retirement

FROM: Steven P. Rice *SPR*  
Chief Counsel

FOR: February 11, 2016 Board of Retirement Meeting

SUBJECT: **LACERA ELECTION FOR SEVENTH MEMBER AND ALTERNATE SEVENTH MEMBER: STATEMENT OF POWERS AND DUTIES OF RETIREMENT BOARD MEMBERS**

Each year, the Board of Supervisors adopts a resolution to govern that year's LACERA election. The election this year for the Board of Retirement will cover the position of Seventh Member (currently held by Shawn Kehoe), for a three-year term commencing January 1, 2017. The election will also determine the Alternate Seventh Member (currently held by William Pryor) pursuant to Government Code Section 31520.1.

At LACERA's request, the Board of Supervisors will include with the election materials a ballot insert entitled "Powers and Duties of Retirement Board Members" provided by your Board to assist voters in evaluating candidates. The proposed ballot insert to be provided this year is set forth in Attachment No. 1. The proposed insert is unchanged from that approved for the last Board of Retirement election.

**THEREFORE, IT IS RECOMMENDED YOUR BOARD:**

Approve the attached ballot insert entitled "Powers and Duties of Retirement Board Members" to be included with the ballot materials for the election of the Seventh Member and Alternate Seventh Member of the Board of Retirement.

SR:dd

Attachment

Memo to BR re 2017 Elections.docx

## ATTACHMENT NO. 1

### POWERS AND DUTIES OF RETIREMENT BOARD MEMBERS

**The Board of Retirement provides this summary to enable voters to evaluate candidates for the Board of Retirement. The Board urges voters to review this summary prior to voting.**

The overall responsibility of the Board of Retirement is to oversee the administration of the retirement system and the retiree health care program. This requires the Board to meet twice each month unless otherwise specified. In addition, the Board has established several committees to assist in carrying out its responsibilities. Some committees meet monthly; others meet every other month. In addition to the time required to attend meetings, considerable time is required to review applicable materials developed by staff and management.

Board members may also participate in regional and national pension and retirement related organizations; including serving as an executive or committee member in these organizations. In addition to attending meetings, Government Code section 31522.8 requires Board members to complete 24 hours of education within two years of assuming office and 24 hours of education every two years the member continues to hold membership on the Board.

The general management of LACERA is under the Board of Retirement's direction. A few functions, however, are shared with the Board of Investments. The Boards of Retirement and Investments, acting jointly, adopt the annual budget covering LACERA's operations. The two Boards must also act jointly in employee relations matters, including the approval of class specifications for LACERA's employees, the approval of Memoranda of Understanding (MOU's) negotiated with SEIU Local 721, the union bargaining for represented employees of LACERA, and the approval of compensation to be provided to LACERA's nonrepresented employees.

**Additionally, one of the most important** - and by far the most time consuming - duties of a Board member is to review disability retirement applications and to participate in the Board's decision to grant or deny disability retirements. It is anticipated the Board of Retirement will process approximately 30 to 50 disability retirement cases per month. A Board member is obligated by law to carefully review each application and the medical evidence supporting the application. A Board member will be required to spend a great majority of time each month in carrying out this important responsibility. The Board member must then

participate in the Board's deliberations and vote on the application. Under Government Code Section 31522, as to those elected Board members who are also employed by the County or a participating district, these LACERA duties are included as part of their County or district employment.

The Board of Retirement administers a statutory retirement plan. This means that retirement benefits can only be provided if they have been authorized by the State Legislature in the County Employees Retirement Law of 1937, found in the California Government Code beginning at Section 31450. Retirement benefits not already authorized by the Retirement Law cannot be implemented by the Board of Retirement; rather, a bill must be processed through the Legislature to amend the Retirement Law. With only a few exceptions, the Legislature has required the County Board of Supervisors to adopt a resolution approving benefit enhancements before they can take effect.

Pursuant to Article XVI, section 17 of the California Constitution, Board of Retirement members are fiduciaries and are required to, "... discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A retirement board's duty to its participants and their beneficiaries shall take precedence over any other duty."

The Board of Retirement has regular meetings on the first Wednesday and on the Thursday following the second Wednesday of each month. Meeting dates may be changed by formal action of the Board.

Board members are public officials under the Fair Political Practices Act, and are in positions that are subject to FPPC economic disclosure and annual reporting requirements. The Board of Retirement is not responsible for the investments of the Retirement Fund or for the adoption of funding policies and the setting of contribution rates. The Legislature has assigned those responsibilities to the Board of Investments.

APPROVED BY THE BOARD OF RETIREMENT ON FEBRUARY , 2016



January 25, 2016

TO: Each Member  
Board of Investments  
Board of Retirement

FROM: Gregg Rademacher  
Chief Executive Officer

FOR: February 10, 2016 Board of Investments Meeting  
February 11, 2016 Board of Retirement Meeting

SUBJECT: **2016 BOARD OF INVESTMENTS & BOARD OF RETIREMENT  
MEETING CALENDAR**

### **RECOMMENDATION**

It is recommended the Board of Investments and Board of Retirement review the 2016 meeting calendar and reschedule meeting dates as needed.

### **BACKGROUND**

Each year the Boards review their yearly meeting calendar for potential conflicts and consider possible rescheduling dates.

Specifically, the following meetings were identified as potential dates to be rescheduled:

<b>Meeting</b>	<b>Date</b>
Board of Investments & Committees	Wednesday, May 11
BOR Administrative & Committees	Thursday, May 12
Board of Investments & Committees	Wednesday, November 9
BOR Administrative & Committees	Thursday, November 10

Attachment

GR:nm  
Board Calendar 2016.doc



**ATTACHMENT**

# January 2016

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
					<b>1</b> New Year Day	2
3	4	5	6 <b>BOR</b> (Disability Committee)	7	8	9
10	11	12	13 <b>BOI</b> (Committees)	14 <b>BOR</b> (Disability, IBL & OOC Committees)	15	16
17	18 M L King Day	19 Board Offsite (Long Beach, CA)	20 Board Offsite (Long Beach, CA)	21 Board Offsite (Long Beach, CA)	22	23
24	25	26	27	28	29	30
13 <sup>th</sup> Annual Made in America 2016 Taft-Hartley Benefits Summit, Las Vegas			CALAPRS Advanced Principles of Pension Management for Trustees, Los Angeles			
NCPERS Legislative Conference, Washington D.C.					RELAC Annual Luncheon, Alhambra	
		PIMCO Institute Special Edition Seminar, Newport Beach				
31						

# February 2016

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	1	2	3 BOR (Disability Committee)	4	5 CALAPRS (Benefits/Trustees Roundtables), Burbank, CA	6
			IMN Annual Beneficial Conference. Phoenix. AZ.			
			Upfront Summit, Santa Monica, CA			
7	8	9	10 BOI (Committees)	11 BOR (IBL & OOC Committees)	12	13
14 Valentine's Day	15 Presidents' Day	16	17	18	19	20
21	22	23	24	25	26	27
			PPI, Rancho Palos Verdes, CA			
28	29					
		NIRS, Washington, D.C.				

# March 2016

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
		1	2 BOR (Disability Committee)	3	4	5 CALAPRS General Assembly, Indian Wells
	NIRS, Washington, D.C.					
6	7	8	9 BOI (Committees)	10 BOR (IBL & OOC Committees)	11	12
CALAPRS General Assembly, Indian Wells						
	ICGN. Eschborn. Germanv					
		PREA, Boston, MA				
			AHIP, Washington, D.C.			
13 Daylight Saving Time begins	14	15	16 Audit Committee	17 St. Patrick's Day	18	19
	IFEBP, Las Vegas, NV					
20	21	22	23	24	25 Good Friday	26
	CII, Washington, D.C.					
27 Easter Sunday	28	29	30	31		

# April 2016

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
					1	2
3	4	5	6 BOR (Disability Committee)	7	8	9
10	11	12	13 BOI (Committees)	14 BOR (IBL & OOC Committees)	15	16
World Healthcare Congress, Washington, D.C.						
	CRCEA, Bakersfield, CA					
	IFEBP, Phoenix, AZ					
17	18	19	20	21	22	23
24	25	26	27	28	29	30



# May 2016

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1	2	3	4 <b>BOR</b> (Disability Committee)	5	6	7
Milken Institute Global Conf., Los Angeles, CA						
			Portfolio Concepts & Management. Wharton School. PA			
8 Mother's Day	9	10	11 <b>BOI</b> (Committees)	12 <b>BOR</b> (IBL & OOC Committees)	13	14
			SACRS, Costa Mesa, CA			
15	16	17	18	19	20	21
			NCPERS. San Diego, CA			
			Investment Strategies & Portfolio Management, Wharton School, PA			
22	23	24	25	26	27	28
			GFOA, Toronto, Canada			
			IFEBP, Washington, D.C.			
29	30 Memorial Day	31				

# June 2016

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
			<b>1</b> <b>BOR</b> (Disability Committees)	<b>2</b>	<b>3</b>	<b>4</b>
<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b> <b>BOI</b> (Committees)	<b>9</b> <b>BOR</b> (ILB & OOC Committees)	<b>10</b> CALAPRS Trustees & Benefits Roundtables, San Jose, CA	<b>11</b>
<b>12</b>	<b>13</b>	<b>14</b>	<b>15</b> <b>16</b> <b>17</b> AHIP, Las Vegas, NV			<b>18</b>
<b>19</b>	<b>20</b>	<b>21</b>	<b>22</b>	<b>23</b>	<b>24</b>	<b>25</b>
<b>26</b>	<b>27</b> <b>28</b> <b>29</b> ICGN, San Francisco			<b>30</b>		

# July 2016

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
					1	2
3	4 Independence Day	5	6 BOR (Disability Committee)	7	8	9
10	11	12	13 BOI (Committees)	14 BOR (IBL & OOC Committees)	15	16
17	18	19	20 Audit Committee	21	22	23
24	25	26	27	28	29	30
			PPI, Cambridge, CA			
31						

# August 2016

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	1	2	3 BOR (Disability Committee)	4	5	6
7	8	9	10 BOI (Committees)	11 BOR (IBL & OOC Committees)	12	13
CALAPRS, Principles of Pension Management, Pepperdine University, Malibu, CA						
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

# September 2016

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
				1	2	3
4	5 Labor Day	6	7 BOR (Disability Committee)	8	9	10
		UNPRI, Singapore				
11	12	13	14 BOI (Committees)	15 BOR (IBL & OOC Committees)	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	
			PREA, Washington, DC			
					CALAPRS Trustees & Benefits Roundtables, Burbank	



# October 2016

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
						1
2	3	4	5 BOR (Disability Committee)	6	7	8
9	10 Columbus Day	11	12 BOI (Committees)	13 BOR (IBL & OOC Committees)	14	15
Investment Strategies & Portfolio Management, Wharton School, PA						
16	17	18	19	20	21	22
CRCEA, Walnut Creek, CA						
23	24	25	26	27	28	29
PPI Executive Seminar, Kowloon, Hong Kong			PPI Asia Roundtable, Kowloon, Hong Kong			
NCPERS, Las Vegas, NV						
AHIP, Washington, D.C.						
PREA, Beverly Hills, CA						
30	31 Halloween					

# November 2016

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
		1	2 BOR (Disability Committee)	3 ILPA, New York, NY	4	5
6 Daylight Saving	7	8	9 BOI (Committees)	10 BOR (IBL & OOC Committees)	11 Veterans Day	12
		SACRS, Indian Wells, CA				
13	14	15	16	17	18	19
IFEBP, Orlando, FL						
20	21	22	23	24 Thanksgiving	25 Thanksgiving Holiday	26
27	28	29	30			

# December 2016

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
				1 Audit Committee	2	3
4	5	6	7 BOR (Disability Committee) ICGN, London	8	9	10
11	12	13	14 BOI (Committees)	15 BOR (OOC & IBL Committees)	16	17
18	19	20	21	22	23	24
25 Christmas Day	26 Christmas Day Holiday	27	28	29	30	31 New Year's Eve



January 29, 2016

TO: Each Member  
Board of Investments  
Board of Retirement

FROM: Gregg Rademacher   
Chief Executive Officer

FOR: Board of Investments Meeting of February 10, 2016  
Board of Retirement Meeting of February 11, 2016

SUBJECT: Women in Institutional Investments Network Luncheon: Sustainable Investing, Governance, and Diversity – An Institutional Perspective on March 11, 2016 in Los Angeles, CA

The Women in Institutional Investments Network (WIIIN) is a Los Angeles-based forum for women in institutional investing. WIIIN's primary goal is to strengthen relationships and facilitate a dialogue to advance and empower women in the Southern California institutional investment community. WIIIN's goal is to share knowledge and connect through a combination of educational and philanthropic endeavors.

WIIIN will be hosting a luncheon on Friday, March 11, 2016 at the Luxe City Center in Los Angeles, CA. The theme of this year's luncheon is Sustainable Investing, Governance, and Diversity – An Institutional Perspective with guest speaker Anne Sheehan, Director of Corporate Governance California State Teachers' Retirement System.

The registration fee is \$15 for members and \$60 for non-members. LACERA's Education and Travel Policy requires an average of five (5) hours of substantive educational content per day. Since the WIIIN luncheon does not meet this requirement, we recommend waiving section 705.00 Educational Content Requirement requiring the seminar to contain an average of five hours of substantive content per day.

If the registration fee is insufficient to pay the cost of the meals provided by the conference sponsor, LACERA must reimburse the sponsor for the actual cost of the meals, less any registration fee paid. Otherwise, the attendee will be deemed to have received a gift equal to the value of the meals, less any registration fee paid, under California's Political Reform Act.

**IT IS THEREFORE RECOMMENDED THAT YOUR BOARD:**

1) Approve attendance of Board members to attend The Women in Institutional Investments Network Luncheon: Sustainable Investing, Governance, and Diversity – An Institutional Perspective on March 11, 2016 at the Luxe City Center in Los Angeles, CA and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy; and 2) waive the Education and Travel Policy section 705.00 Educational Content Requirement requiring the seminar to contain an average of five hours of substantive content per day.



Sustainable Investing, Governance,  
and Diversity - An Institutional Perspective



Join Us For A Luncheon With

*Anne Sheehan*

*Director of Corporate Governance*

*California State Teachers' Retirement System*

Friday, March 11, 2016 11:30 - 1:00pm

Luxe City Center  
1020 S. Figueroa Street  
Los Angeles, CA 90015

Rsvp by March 1

\$15 Members

\$60 Non-Members

*Anne's full bio can be found on the event site.  
[www.wiin.org/events](http://www.wiin.org/events)*



**FOR INFORMATION ONLY**

January 26, 2016

TO: Each Member,  
Board of RetirementEach Member,  
Board of InvestmentsFROM: Richard Bendall   
Chief Audit ExecutiveDarla Vidger   
Internal AuditorFOR: February 10, 2016 Board of Investments Meeting  
February 11, 2016 Board of Retirement Meeting**SUBJECT: Human Resources Compliance Audit –Liebert Cassidy Whitmore (LCW)**

At the December 3, 2015 Audit Committee meeting, staff provided the Committee with an Executive Summary of a human resources compliance audit performed by the law firm, Liebert Cassidy Whitmore (LCW). The purpose of the audit was to verify the sufficiency and completeness of LACERA's human resources-related policies and practices according to state and federal laws, the Los Angeles County Code, and best practices in human resources management. It was suggested at the Committee meeting that the results of the audit be shared with both Boards.

During its audit, LCW completed interviews of relevant LACERA staff, reviewed relevant documents, and performed extensive legal review. LCW found that LACERA generally conforms to the applicable laws, regulations, County Code, and best practices in the areas identified through the audit. LCW also provided certain recommendations and advice in these areas.

LCW prepared a privileged Executive Summary of its findings, conclusions, and recommendations, all of which were more fully addressed in its audit report. These documents are privileged and confidential attorney-client communications because they were conducted by counsel to evaluate legal issues and compliance and provide legal advice. **A copy of the Executive Summary is provided to the Board members with this memo, but because it is privileged, it should not be provided to others and should not be the subject of discussion at the Board meetings.**

Staff will monitor disposition of LCW's recommendations and advice and will report to the Audit Committee and the Boards as appropriate.

**Attachment: LCW Executive Summary (Privileged, For Board Members Only)**

c: Gregg Rademacher	Steven Rice	John Nogales
Robert Hill	Johanna Fontenot	Annette Cleary
John Popowich	James Pu	



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**Documents not attached are exempt from disclosure under the California Public Records Act and other legal authority.**

**For further information, contact:  
LACERA  
Attention: Public Records Act Requests  
300 N. Lake Ave., Suite 620  
Pasadena, CA 91101**