

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, JULY 14, 2016

*The Board may take action on any item on the agenda,
and agenda items may be taken out of order.*

- I. CALL TO ORDER
- II. PLEDGE OF ALLEGIANCE
- III. APPROVAL OF MINUTES
 - A. Approval of the Minutes of the Regular Meeting of June 9, 2016
- IV. REPORT ON CLOSED SESSION ITEMS
- V. OTHER COMMUNICATIONS
 - A. For Information
 - 1. May 2016 All Stars
 - 2. Chief Executive Officer's Report
(Memo dated July 5, 2016)
- VI. PUBLIC COMMENT
- VII. NON-CONSENT AGENDA
 - A. Recommendation as submitted by Barry W. Lew, Legislative Affairs Officer: That the Board approve the proposed LACERA Legislative Policy work plan. (Memo dated July 1, 2016)

VII. NON-CONSENT AGENDA (Continued)

- B. Recommendation as submitted by Barry W. Lew, Legislative Affairs Officer: That the Board continue its "Watch" position on Assembly Bill 1853, which would enable any retirement system operating under the County Employees Retirement Law of 1937 to become a district. (Memo dated June 30, 2016)
- C. Recommendation as submitted by Barry W. Lew, Legislative Affairs Officer: That the Board continue its "Support" position on Assembly Bill 2376. (Memo dated July 1, 2016)
- D. Recommendation as submitted by Bernie Buenaflor, Division Manager, Benefits Division: That the Board 1) Determine that John M. Garrisi is not incapacitated for the duties assigned to him in the position of Principal Analyst, CEO; and 2) Grant the application of John M. Garrisi for reinstatement to active membership. (Memo dated July 6, 2016)
- E. Recommendation as submitted by Steven P. Rice, Chief Counsel: That the Board approve, and direct the Chief Executive Officer to execute and staff to implement, the proposed Restated Memorandum of Understanding between the County of Los Angeles Treasurer and Tax Collector and LACERA for the Provision of Collection Services (Restated MOU). (Memo dated June 27, 2016)
- F. Recommendation as submitted by Cassandra Smith, Director, Retiree Healthcare Division: That the Board 1) Direct staff to waive the waiting period to allow affected members enrolled in the Out-of-State Kaiser - Georgia plan to switch to another plan without the 6-month waiting period; and 2) Implement a policy allowing staff to waive the 6-month waiting period if a health plan premium rate exceeds the Anthem Blue Cross benchmark rate. (Memo dated July 5, 2016)

VII. NON-CONSENT AGENDA (Continued)

G. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board of Retirement:

1. Approve amending the current Management Appraisal and Performance Plan Tier I Salary Structure Tables – LR Schedule, LG effective July 1, 2016 to include salary ranges LR26 through LR30.
2. Approve revising the Chief Investment Officer salary range from LR25 to LR28, effective July 1, 2016.
3. Direct staff to submit to the Board of Supervisors the necessary salary ordinance language to implement the revised Salary Structure Table and the Chief Investment Officer salary range.

(Memo dated June 30, 2016)

H. For Information Only as submitted by John R. Harrington, Staff Counsel, regarding Senate Bill 272 (Government Code Section 6270.5) – Catalog of Enterprise Systems. (Memo dated June 27, 2016)

VIII. REPORT ON STAFF ACTION ITEMS

IX. GOOD OF THE ORDER

(For information purposes only)

X. 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 Scott Stephens
2. Administrative Appeal of Esther Acosta-Perez
3. Administrative Appeal of Nell Masto

XI. ADJOURNMENT

July 14, 2016

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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.

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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, JUNE 9, 2016

PRESENT: Shawn R. Kehoe, Chair

 Vivian H. Gray, Vice Chair

 William de la Garza, Secretary

 Marvin Adams

 Yves Chery

 Joseph Kelly

 David L. Muir (Alternate Retired)

 Les Robbins

 William Pryor (Alternate Member)

 Ronald A. Okum (Left the Board meeting at 11:12 a.m.)

ABSENT: Anthony Bravo

STAFF ADVISORS AND PARTICIPANTS

Gregg Rademacher, Chief Executive Officer

Robert Hill, Assistant Executive Officer

Steven P. Rice, Chief Counsel

STAFF ADVISORS AND PARTICIPANTS (Continued)

Michael D. Herrera, Senior Staff Counsel

Barry W. Lew, Legislative Affairs Officer

Viveca Hazboun, LACERA Member

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

Ms. Gray 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. April 2016 All Stars

Mr. Hill announced the eight winners for the month of April: Ana Chang, Gloria Harriel, Theodore King, Sarah Robles, Katy Tieu, Ted Granger, Sabrina Chen, and Christopher Rodriguez for the Employee Recognition Program and Arlene Rieux for the Webwatcher Program. Tina Young, Koleta Caldwell, Debbie Goldasich, and Angel

IV. OTHER COMMUNICATIONS

A. For Information

1. April 2016 All Stars (Continued)

Calvo were the winners of LACERA's RideShare Program.

2. Chief Executive Officer's Report (Memo dated May 31, 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.)

Mr. Rademacher shared that he served as a course instructor at the CALAPRS Overview Course in San Jose, CA, attended the Board of Supervisor's Budget Deputy meeting to strengthen inter agency relationships, and testified as an expert witness in a civil service hearing.

Mr. Rademacher recognized and thanked Johanna Fontenot for representing LACERA before the Board of Supervisor's meeting regarding the June 30, 2015 Actuarial Valuation. Furthermore, Mr. Rademacher informed the Board that LACERA's plan actuary will perform an experience study for the Retirement Benefit Valuation this fall with the Board of Investments (BOI). The study will start with an educational session at the BOI October 2016 meeting and will continue the discussion as needed at the BOI

IV. OTHER COMMUNICATIONS

2. Chief Executive Officer's Report (Continued)

November 2016 meeting. The plan actuary will present the completed experience study at the BOI December 2016 meeting. The experience study will be used to complete the June 30, 2016 actuarial valuation which will be presented to the Board of Investments for adoption in the first quarter of calendar year 2017.

V. PUBLIC COMMENT

Active member, Viveca Hazboun, addressed the Board regarding her case.

VI. NON-CONSENT AGENDA

- A. Recommendation as submitted by Les Robbins, Chair, Insurance, Benefits and Legislative Committee: That the Board adopt an "Oppose" position on Assembly Bill 241, which provides for the disclosure of retiree information to a retiree organization. (Memo dated May 25, 2016)

Mr. Lew was present to answer questions from the Board.

Mr. de la Garza made a motion, Mr. Chery seconded, to approve the recommendation. The motion passed unanimously.

- B. Recommendation as submitted by Les Robbins, Chair, Insurance, Benefits and Legislative Committee: That the Board adopt a "Watch" position on Assembly Bill 1707, which requires a public agency to identify the type of record being withheld and the specific exemption that justifies the withholding. (Memo dated May 25, 2016)

Mr. Lew was present to answer questions from the Board.

VI. NON-CONSENT AGENDA (Continued)

Mr. de la Garza made a motion, Mr. Okum seconded, to approve the recommendation. The motion passed unanimously.

- C. Recommendation as submitted by Barry W. Lew, Legislative Affairs Officer: That the Board adopt a “Watch” position on Assembly Bill 2628, which relates to statements of economic interests and postgovernmental employment. (Memo dated May 30, 2016) (Supplemental Agenda Memo dated May 30, 2016)

Mr. Lew was present to answer questions from the Board.

Ms. Gray made a motion, Chair Kehoe seconded, to approve the recommendation. The motion passed unanimously.

- D. Recommendation as submitted by Les Robbins, Chair, Insurance, Benefits and Legislative Committee: That the Board adopt a “Watch” position on Senate Bill 897, which provides an additional year of leave of absence with salary to the one-year period provided by Labor Code Section 4850. (Memo dated May 24, 2016)

Mr. Lew was present to answer questions from the Board.

Mr. Muir made a motion, Mr. Adams seconded, to approve the recommendation. The motion passed unanimously.

- E. Recommendation as submitted by Les Robbins, Chair, Insurance, Benefits and Legislative Committee: That the Board adopt a “Watch” position on Senate Bill 1203, which relates to employees who are not new members in a joint powers authority. (Memo dated May 24, 2016)

Mr. Lew was present to answer questions from the Board.

Mr. Adams made a motion, Ms. Gray seconded, to approve the recommendation. The motion passed unanimously.

VI. NON-CONSENT AGENDA (Continued)

- F. Recommendation as submitted by Les Robbins, Chair, Insurance, Benefits and Legislative Committee: That the Board adopt a “Watch” position on Senate Bill 1436, which requires an oral report of a recommendation for final action related to the compensation and benefits of a local agency executive. (Memo dated May 25, 2016)

Mr. Lew was present to answer questions from the Board.

Mr. Okum made a motion, Mr. Adams seconded, to approve the recommendation. The motion passed unanimously.

- G. Recommendation as submitted by Steven P. Rice, Chief Counsel: That the Board approve payment of an additional \$25,000 to Stroz Friedberg, LLC for data mapping phase of the Privacy Audit. (Memo dated May 25, 2016)

Mr. Rice was present and answered questions from the Board.

Mr. Chery made a motion, Mr. Okum seconded, to approve the recommendation. The makers of the motion withdrew their motion.

Mr. Chery made a motion, Mr. Muir seconded, to defer any action on this item until after the final report is received. The motion passed with Mr. Kelly voting no.

- H. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board adopt the LACERA Fiscal Year 2016-2017 Administrative and Retiree Healthcare Benefits Budgets. (Memo dated May 25, 2016)

Mr. Kelly provided revisions to the Budget Hearing meeting minutes.

Mr. Chery made a motion, Mr. Robbins seconded, to approve the recommendation. The motion passed unanimously.

VI. NON-CONSENT AGENDA (Continued)

- I. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board approve attendance of Board members at the Pomerantz Annual Corporate Governance & Litigation Roundtable on June 30, 2016 in Beverly Hills, CA, and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated May 25, 2016) (Placed on the agenda at the request of Ms. Gray)

Mr. Adams made a motion, Mr. Chery seconded, to approve the recommendation. The motion passed unanimously.

- J. For Information Only as submitted by Cassandra Smith, Director, Retiree Healthcare Division regarding the Retiree Healthcare Benefits Program's 2016/2017 plan year health insurance rate renewals and benefit changes. (Memo dated May 24, 2016)

This item was received and filed.

- K. For Information Only as submitted by Michael D. Herrera, Senior Staff Counsel, regarding the Board's authority and discretion in collection of overpaid benefits and underpaid member contributions. (Supplemental Memo dated May 17, 2016)

Mr. Herrera was present and answered questions from the Board.

- L. For Information Only as submitted by Barry W. Lew, Legislative Affairs Officer, regarding Assembly Bill 1853 – County Employees Retirement Districts. (Memo dated May 30, 2016)

Mr. Lew was present and answered questions from the Board.

- M. For Information Only as submitted by Steven P. Rice, Chief Counsel, and Robert Hill, Assistant Executive Officer, regarding an update on the Superior Court OPEB Program. (Memo dated May 31, 2016)

This item was received and filed.

VII. REPORT ON STAFF ACTION ITEMS

The Board requested a policy be agendized on having joint meetings when an item must be approved by both the Board of Retirement and Board of Investments.

In regards to Item VI. K. – Collections, the Board requested the Legal Office provide a report of accounts assigned to the Unfunded Actuarial Accrued Liability (UAAL).

In regards to Item VI. G. – Privacy Audit: Additional Funding, the Board requested that staff should consider requesting Board approval for delegated authority in order to negotiate the fees above the approved vendor contract. Furthermore, the Board requested legal guidance regarding the Board of Retirement and Board of Investments roles regarding approval of administrative and investment related items.

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

There was nothing to report during Good of the Order.

IX. 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

The Board met in Executive Session pursuant to Government Code Section 54956.9 in regards to the anticipated litigation of the above mentioned case. The Board voted unanimously to deny the appeal of Ms. Hazboun.

(Mr. Okum left the Board meeting at 11:12 a.m.)

June 9, 2016

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Green Folder Information (Information distributed in each Board Member's Green Folder at the beginning of the meeting)

1. LACERA Legislative Report - Bills Amending CERL/PEPRA (Dated June 7, 2016)
2. LACERA Legislative Report – Other (Dated June 7, 2016)
3. LACERA Legislative Report – Federal (Dated June 7, 2016)

X. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 11:13 a.m.

WILLIAM DE LA GARZA, SECRETARY

SHAWN R. KEHOE, CHAIR



July 5, 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.

New Photo ID Badges and Intranet Photos

It is important to continually focus on maintaining the privacy and security of member data and the overall security of our staff. Recently, the Administrative Services and Communications Divisions collaborated on a project to issue new LACERA photo ID badges to our Board members and all permanent, temporary, and contract employees. The team also took this opportunity to update the LACERA Intranet phone list with the employee photos.

The photo ID project is important for two reasons. First, the security of our physical workplace and the member and investments data housed on site is critical to LACERA's mission to Produce, Protect, and Provide the Promised Benefits. The visibility of the photo ID badges allows staff to be instantly aware when an unauthorized person, without a photo ID badge, is in the workspace. Periodically, LACERA invites business partners, such as our financial statement audit team, information technology vendors, and workplace contractors into our work environment as well. Part of this project was to create special badges for use by these regular business partners to help staff manage and monitor workplace access to make sure that they are only allowed to access the specific areas needed to complete their work.

Secondly, photos posted on the LACERA intranet help facilitate a more cohesive work environment. LACERA is a vibrant and active workplace consisting of 400 employees, in 17 divisions, spread out on six different floors. We are constantly looking for best practices to foster an environment that encourages our employees to identify as part of their immediate work team, and the overall LACERA family. Posting staff pictures on the LACERA intranet phone list helps achieve this goal by allowing staff to put a face to a name, helping staff identify with each other, which in turn, helps facilitate the larger team environment and cross functional teamwork.

Chief Executive Officer's Report

July 5, 2016

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The photo ID project required months of careful coordination across the organization. Communications staff created a photo shoot schedule for each division with employees arriving at 10-minute intervals. We were able to minimize the disruption to operations and photograph a division each week. The division secretaries worked with their teams to get organized for scheduled sessions and make-up sessions.

The new photo ID badges were delivered with an updated policy outlining each employee's responsibility to wear the badge visibly at all times and what to do in the event the badge is left at home or lost. With everyone's cooperation, the project was completed in three months.

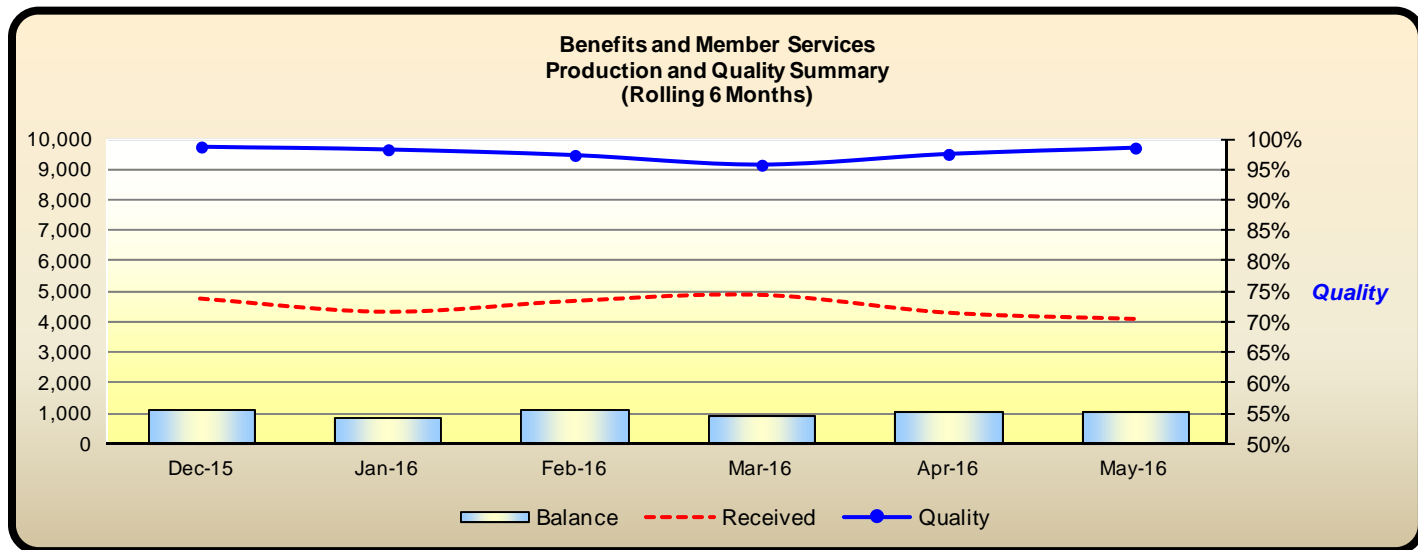
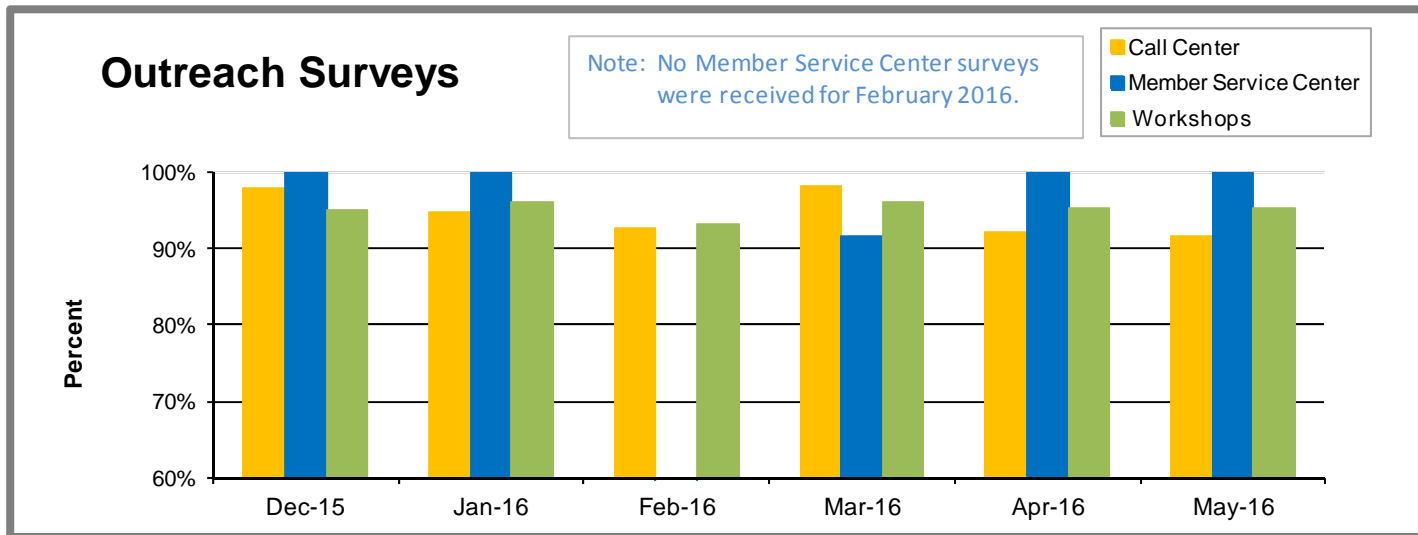
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CEO report July 2016.doc

Attachments

LACERA's KEY BUSINESS METRICS

OUTREACH EVENTS AND ATTENDANCE

Type	# of WORKSHOPS		# of MEMBERS	
	Monthly	YTD	Monthly	YTD
Benefit Information	15	154	739	6,037
Mid Career	1	10	20	395
New Member	19	122	536	2,689
Pre-Retirement	11	88	206	2,029
General Information	0	12	0	598
Retiree Events	0	6	0	305
Member Service Center	Daily	Daily	1,298	16,439
TOTALS	46	392	2,799	28,492



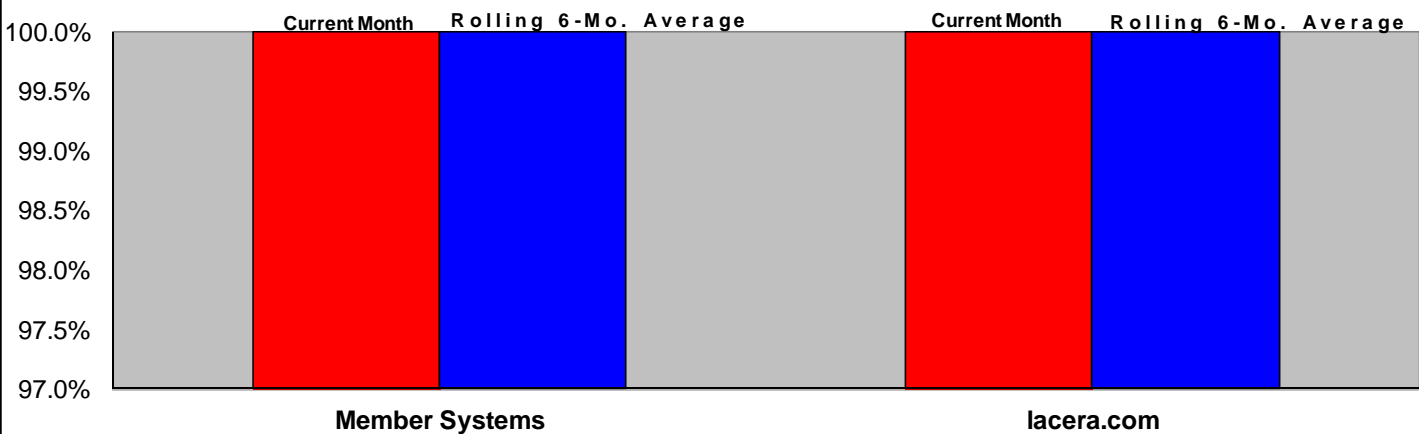
Member Services Contact Center		RHC Call Center	Top Calls
Overall Key Performance Indicator (KPI)	95.30%		
Category	Goal	Rating	
Call Center Monitoring Score	95%	97.06%	99.80%
Grade of Service (80% in 60 seconds)	80%	60%	33%
Call Center Survey Score	90%	91.58%	xxxxx
Agent Utilization Rate	65%	66%	85%
Number of Calls	10,323	3,816	
Calls Answered	9,401	3,313	
Calls Abandoned	922	510	
Calls-Average Speed of Answer	00:01:58	04:03	
Number of Emails	312	232	
Emails-Average Response Time	06:32:15	1	
			Member Services
			1) Benefit Pmts.: Gen. Inquiry/Payday
			2) Workshop Info/Appoints: Inquiry
			3) Retirement Counseling: Estimate
			Retiree Health Care
			1) Medical Benefits - General Inquiries
			2) Turning Age 65/Part B Prem Reimburse
			3) Medical New Enrollment/Change/Cancel
			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	494	xxxxxxx		On Hand	147	xxxxxxx
Received	38	466		Received	4	42
Re-opened	1	3		Administratively Closed/Rule 32	6	49
To Board – Initial	42	392		Referee Recommendation	1	30
Closed	5	55		Revised/Reconsidered for Granting	1	14
In Process	486	486		In Process	143	143

SYSTEMS AVAILABILITY - MAY 2016



Active Members as of 7/1/16		Retired Members/Survivors as of 7/1/16			Retired Members	
		Retirees	Survivors	Total		
General-Plan A	243	19,339	4,741	24,080	Monthly Payroll	246.48 Million
General-Plan B	93	685	63	748	Payroll YTD	2.67 Billion
General-Plan C	86	426	56	482	Monthly Added	227
General-Plan D	46,878	11,742	1,101	12,843	Seamless %	100.00
General-Plan E	20,910	11,004	918	11,922	YTD Added	3,539
General-Plan G	14,638	4	0	4	Seamless YTD %	99.69
Total General	82,848	43,200	6,879	50,079	Direct Deposit	95.00%
Safety-Plan A	10	5,841	1,580	7,421		
Safety-Plan B	11,332	4,279	230	4,509		
Safety-Plan C	1,204	1	0	1		
Total Safety	12,546	10,121	1,810	11,931		
TOTAL ACTIVE	95,394	TOTAL RETIRED	53,321	8,689	62,010	

Health Care Program (YTD Totals)		
	Employer Amount	Member Amount
Medical	399,478,413	35,374,033
Dental	33,777,516	3,618,809
Med Part B	45,671,464	xxxxxxxxxx
Total Amount	\$478,927,393	\$38,992,842

Health Care Program Enrollments	
Medical	47,388
Dental	48,490
Med Part B	30,776
Long Term Care (LTC)	697

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
July, 2016	
17-20	SACRS Public Pension Investment Management Conference Berkeley, CA
25-26	Private Equity Exclusive Conference Chicago, IL
27-29	Pacific Pension Institute (PPI) North American Summer Roundtable Cambridge, MA
August, 2016	
9-12	CALAPRS (California Association of Public Retirement Systems) Principles of Pension Management Pepperdine University
September, 2016	
6-8	2016 Public Funds Forum Park City, UT
6-8	United Nations Principals of Responsible Investing (UNPRI) PRI in Person 2015 Singapore
28-30	Council of Institutional Investors (CII) Fall Conference Chicago, IL
28-30	PREA (Pension Real Estate Association) Annual Institutional Investor Real Estate Conference Washington D.C.
30	CALAPRS (California Association of Public Retirement Systems) Round Table – Benefits Holiday Inn Burbank
30	CALAPRS (California Association of Public Retirement Systems) Round Table – Trustees Holiday Inn Burbank
October, 2016	
10-14	Investment Strategies & Portfolio Management (<i>prev. Pension Fund & Investment Mgmt.</i>) Wharton School, University of Pennsylvania
17-19	CRCEA (California Retired County Employees Association) Fall Conference Walnut Creek, CA
17-19	SuperReturn Middle East Conference and Summit Dubai
23-25	Pacific Pension Institute (PPI) Executive Seminar (PES) Kowloon, Hong Kong

July 1, 2016

TO: Each Member
Board of Investments
Board of Retirement

FROM: Barry W. Lew 
Legislative Affairs Officer

FOR: July 13, 2016 Board of Investments Meeting
July 14, 2016 Board of Retirement Meeting

SUBJECT: **LACERA Legislative Policy Work Plan**

RECOMMENDATION

That your Boards approve the proposed LACERA Legislative Policy work plan.

BACKGROUND

At the meetings of the Board of Retirement on May 5, 2016 and of the Board of Investments on May 10, 2016, staff was directed to reference future legislative agenda items with your Boards' approved legislative policies. Additionally, review of those policies by counsel was also requested by your Boards. A copy of the current BOR policy is attached as Attachment A, and a copy of the current BOI policy is attached as Attachment B.

The Board of Retirement's Legislative Policy was adopted on July 12, 2012. The Board of Investments' Legislative Policy was adopted on April 10, 2013. The California Constitution and state legislation created the framework for LACERA and continues to structure the scope and delivery of retirement and disability benefits. In order to fulfill LACERA's mission to produce, protect, and provide the promised benefits, your Boards have a history of proactively monitoring and voicing support or opposition of legislative proposals as they relate to LACERA's mission, policies, and priorities.

The current legislative policies are intended to guide staff in formulating recommendations to your Boards on legislative proposals. In fulfillment of the staff action items related to the legislative policies, staff is proposing the following work plan to review and redevelop your Boards' legislative policies.

PROPOSED CONCEPTUAL STRUCTURE OF REVISED LEGISLATIVE POLICY

Based on recent Board discussions, staff has reviewed the legislative policies of CalPERS, CalSTRS, and other public pensions in California and nationally. Staff also garnered ideas from working with LACERA's legislative consultant in Sacramento. Finally, staff is active in participating in meetings of the SACRS Legislative Committee, which has also been a source of information. Based on staff's work to date, staff proposes the following conceptual framework for the revised legislative policy:

1. Reformulate the Two Separate Policies as a Single Policy Approved by Both Boards: In order to pursue a cohesive legislative agenda, staff believes that a single policy endorsed and approved by both Boards is advisable. A single policy does not mean that action by both Boards will be required on legislative issues. Instead, the policy will separately recognize those areas which under the CERL are:

- Within the jurisdiction of the Board of Retirement and will be separately acted upon by the BOR, with the assistance, as has long been the case, of the BOR's Insurance, Benefits and Legislative Committee;
- Within the jurisdiction of the Board of Investments and will be separately acted upon by the BOI; and
- Within the jurisdiction of both Boards and will require joint action of both Boards.

The separate areas of legislative action by each of the Boards have been well-defined and have functioned well for many years. Staff does not propose to change the way different issues have been handled in the past between the Boards. However, staff does propose to set forth the issues for each Board in the legislative policy with more detail than the current policies, which contain more general statements.

2. Statement of LACERA's Mission: The policy should, like the current policies, begin with a statement of LACERA's mission. The mission will be tied to legislative objectives more directly than exists in the current policies, which are largely silent on the connection between the mission and legislative issues. This section of the policy will also contain a statement of philosophy as to the connection between LACERA's mission and the legislative policy. The policy will provide direction to staff as to the level of legislative activism that the Boards desire to pursue, which will vary among specific issues. The policy will also recognize that the policy applies not only to California legislation but to federal legislation and ballot initiatives as well. The tone for the rest of the policy and its approach will be set forth in the statement of mission.

3. *Legislative Policy Standards:* The policy will separately set forth the policy standards that relate to the Board of Retirement, the Board of Investments, and both Boards. The current policies set forth these standards in a couple of high level bullet points as to the characteristics of legislation that the Boards will support, oppose, or watch. The revised policy will contain standards that are more comprehensive in addressing areas of significance to LACERA's mission. From an internal process perspective, the policy standards will also incorporate the concept of cooperation between various divisions within LACERA as well as outside resources (such as LACERA's legislative consultant, the plan sponsor, the SACRS Legislative Committee, other pension systems).

4. *Legislative Actions:* The current policies provide a limited spectrum of action from Support to Watch or Neutral to Oppose. The revised policy will provide for a broader range of actions, including sponsoring or co-sponsoring and conditioning legislative positions on amendment. The policy will also recognize that there are differences between the impact and significance of watching a bill and specifically taking a neutral position. This section of the revised policy will contain a comprehensive list of definitions of what is signified by each type of Board action so that the Board will have in mind when it acts on a piece of legislation what the action means and what follow up will be by staff.

5. *Format for Legislative Analysis Memorandum:* The policy will include a statement of the format of the legislative analysis memo to be provided to the Boards by LACERA's Legislative Affairs Officer on any legislative matter presented to one or both Boards for action.

6. *Action Between Board Meetings:* The policy will recognize that there may be a need for action between Board meetings and will provide a mechanism by which such action can be taken. It is expected that this mechanism will include consultation by LACERA's Legislative Affairs Officer with the Chair and/or Vice-Chair of the Board or Boards involved in the issue at hand, the CEO, and the Chief Counsel. Consultation with all of these individuals will not necessarily be required, but the policy will provide that the Chair or Vice-Chair of the relevant Board or Boards will give approval. The circumstances and criteria for taking action between Board meetings will be limited and well-defined.

7. *Report Card:* The policy will provide for periodic reports to the Boards on the follow up to legislative actions so that the Board will have some measure of its effectiveness on legislative issues.

WORK PLAN

Deliverables

- Consolidated legislative policy.
- Revised format of legislative analysis memorandum.

Milestones

Date	Description
August 10, 2016	Board of Investments: review draft of deliverables and propose revisions.
August 11, 2016	Board of Retirement: review draft of deliverables and propose revisions.
September 14, 2016	Board of Investments: approve deliverables.
September 15, 2016	Board of Retirement: approve deliverables.

IT IS THEREFORE RECOMMENDED THAT YOUR BOARDS approve the proposed LACERA Legislative Policy work plan.

Reviewed and Approved:



Steven P. Rice, Chief Counsel

ATTACHMENT A

LACERA BOARD OF RETIREMENT LEGISLATIVE POLICY

LACERA Mission

The County Employees Retirement Law of 1937 directs LACERA to administer defined retirement plan benefits for the employees of Los Angeles County and outside Districts.

The California Constitution requires the members of the Board to perform their duties solely in the interest of, and for the exclusive purposes of providing benefits to participants and their beneficiaries, minimizing employer contributions, and defraying reasonable expenses of administering the system. A Board's duty to its participants and their beneficiaries shall take precedence over any other duty.

LACERA's mission is to produce, protect, and provide the promised benefits.

State legislation created the framework for LACERA and continues to structure the scope and delivery of retirement and disability benefits. In order to fulfill its mission and to provide consistency in its policies, the Board of Retirement must proactively monitor and voice its concerns or support with legislative proposals. In order to guide staff in formulating positions and recommendations on legislation, the Board of Retirement adopts the following Legislative Policy Standards.

Support:

- Proposals which give the Board increased flexibility in its administration.
- Proposals which correct structural deficiencies in program design.

Neutral:

- Proposals to change retirement benefits.
- Proposals which change existing or create new presumptions related to workers' compensation or service-connected disability retirement.
- Proposals which do not apply directly to LACERA, its members and/or beneficiaries.

Oppose:

- Proposals which infringe on the Board's plenary authority.
- Proposals which provide the Board with "benefit granting" authority.
- Proposals which deprive members of vested benefits.

While these Policy Standards are intended to guide staff in formulating positions on legislative proposals, the Board of Retirement may, in its discretion, adopt any policy position on any specific legislative proposal presented to the Board.

ATTACHMENT B

LACERA BOARD OF INVESTMENTS
LEGISLATIVE POLICY

LACERA Mission

The County Employees Retirement Law of 1937 directs LACERA to administer defined retirement plan benefits for the employees of Los Angeles County and outside Districts.

The California Constitution requires the members of the Board to perform their duties solely in the interest of, and for the exclusive purposes of providing benefits to participants and their beneficiaries, minimizing employer contributions, and defraying reasonable expenses of administering the system. A Board's duty to its participants and their beneficiaries shall take precedence over any other duty.

LACERA's mission is to produce, protect, and provide the promised benefits.

State legislation created the framework for LACERA and continues to structure the scope and delivery of retirement and disability benefits. In order to fulfill its mission and to provide consistency in its policies, the Board of Investments must proactively monitor and voice its concerns or support with legislative proposals. In order to guide staff in formulating positions and recommendations on legislation, the Board of Investments adopts the following Legislative Policy Standards.

Support:

- Proposals which give the Board increased flexibility in its investment policy and program administration.
- Proposals which preserve the assets and minimize the liabilities of trust funds administered by LACERA.

Watch or Neutral:

- Proposals which do not apply directly to LACERA, its members and/or beneficiaries.
- Proposals which do not address the actuarial process.
- Proposals which do not address investment responsibility scope.

Oppose:

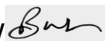
- Proposals which infringe on the Board's plenary authority, such as placing an investment mandate or restriction on the Board's investment authority.
- Proposals which infringe on the Board's authority over actuarial services.
- Proposals which conflict with LACERA's business and mission.

While these Policy Standards are intended to guide staff in formulating positions on legislative proposals, the Board of Investments may, in its discretion, adopt any policy position on any specific legislative proposal presented to the Board.

Furthermore, LACERA's legislative advocate suggested LACERA use its political capital judiciously and adopt "Support" and "Oppose" positions when it feels strongly about the legislative proposal. If an item does not warrant a "Support" or "Oppose" position, then the recommendation would be "Watch", "Neutral", or "No Position".

June 30, 2016

TO: Each Member
Board of Investments
Board of Retirements

FROM: Barry W. Lew 
Legislative Affairs Officer

FOR: July 13, 2016 Board of Investments Meeting
July 14, 2016 Board of Retirement Meeting

SUBJECT: **Assembly Bill 1853 – County Employees Retirement Districts**

RECOMMENDATION

That your Boards continue your “Watch” position on Assembly Bill 1853, which would enable any retirement system operating under the County Employees Retirement Law of 1937 to become a district.

BACKGROUND

Assembly Bill 1853 resulted from a proposal regarding district status that was approved on September 15, 2015 by the Legislative Committee of the State Association of County Retirement Systems (SACRS) for consideration in the SACRS 2016 legislative platform. The proposal would enable the board of retirement of any retirement system established under the County Employees Retirement Law of 1937 (CERL) to adopt a resolution to become a separate independent district. On November 4, 2015, the Board of Retirement directed its SACRS voting delegate to support inclusion of this item. The item was presented for consideration during the Business Meeting at the November 2015 SACRS Conference but was postponed to the May 2016 SACRS Conference because the boards of certain systems had not had an opportunity to consider the issue.

A draft of the bill was released in January 2016, and staff discovered certain issues related to LACERA that required amendment since the intent of the bill was to enable any CERL retirement system to invoke district status. Your Boards authorized staff to work with LACERA’s legislative advocate to submit appropriate amendments, which have been incorporated into the bill. The issues related to LACERA have been resolved by the amendments, and LACERA is covered by the legislation.

Your Boards adopted a “Watch” position on AB 1853 at your respective meetings on May 5, 2016 and May 10, 2016. However, the issue of sponsorship by SACRS was not

formally voted on by the SACRS membership at the November 2015 SACRS Conference and was to be decided at the May 2016 SACRS Conference. The Board of Retirement directed its voting delegate to abstain from voting for SACRS to sponsor AB 1853.

At the SACRS Business Meeting held on May 13, 2016, there were 18 voting delegates present. The following chart summarizes the votes of the delegates.

Ayes	Noes	Abstain
Fresno, Imperial, Kern, Orange, Sacramento, San Bernardino, San Diego, San Joaquin, Stanislaus, Tulare, Ventura	Mendocino, Merced, San Mateo, Santa Barbara	Contra Costa, Los Angeles, Marin

Eleven delegates voted to support sponsorship of AB 1853, 4 delegates voted against sponsorship, and 3 delegates abstained from voting. The motion passed with SACRS supporting sponsorship of AB 1853.

On June 27, 2016, the bill passed the Senate Public Employment & Retirement Committee by a vote of 4 to 1 and moves to the Senate floor. If the bill passes the Senate floor, it will need to go back to the Assembly for concurrence on the amendments that were made in the Senate.

DISCUSSION

The bill would authorize any CERL retirement system to become a district upon adoption of a resolution by its board of retirement. Appointed personnel that become employees of the retirement system would be subject to the terms and conditions of employment established by the board of retirement but would not be subject to county civil service rules or county salary ordinances. The retirement system would be able to directly recruit top-level and senior management personnel and offer compensation competitive with the private sector to attract and retain such personnel.

At least 60 days prior to the board of retirement's consideration of adopting a resolution, the retirement system must notify its participating employers, the employees of the retirement system, and any employee organization representing those employees of its intent to become a district. This period would require the retirement system to make a good faith effort to address questions and concerns from its stakeholders.

Upon adoption of a resolution to become a district by a board of retirement, unclassified employees—who are not subject to the civil service rules—would cease to be county

employees and become retirement system employees. However, classified employees—represented and nonrepresented—remain county employees unless they provide notification either prior to the adoption of the resolution or any time thereafter that they wish to become retirement system employees.

Employees who cease to be county employees will become retirement system employees at their existing or equivalent classifications. The rights and accrued benefits of existing employees would be preserved in the transition, and existing labor agreements would continue until new ones can be negotiated. With respect to represented employees, the retirement system would recognize the employee organization of the represented county employees who become retirement system employees as their exclusive representative.

The retirement system may contract with the county to administer county benefit plans and programs for its employees and provide the employer cost of such programs unless and until the board of retirement chooses to provide different benefits or benefit levels through another provider. Any other agreements may be entered into between the board of retirement and the county to implement the transition of the retirement system to a district.

As a district, the board of retirement may continue to make regulations not inconsistent with CERL, but as a result of the independent operating authority of the retirement system, such regulations would no longer require approval by the board of supervisors.

The bill would provide flexibility for a retirement system contemplating becoming a district. Some operating models provide for all existing employees to become retirement system employees, whereas other models provide for specified management personnel to become retirement system employees; all other employees would remain county employees. The retirement system will adopt the appropriate operating model based on which employees elect to become retirement system employees. Retirement systems that have adopted one model may also switch to a different model.

LACERA is the only CERL retirement system that has a separate board of investments. The bill would authorize both the Board of Retirement and Board of Investments to elect district status and appoint personnel to the retirement system.

Amendments as of June 20, 2016

The bill as amended on June 20, 2016 provided language regarding the rights of represented employees (as well as certain nonrepresented employees) to decide if and when to become retirement system employees—either before the adoption of a resolution by the board of retirement or any time thereafter. The amendments

successfully addressed concerns expressed by Service Employees International Union California and other employee organizations who opposed the bill unless amended. They have withdrawn their opposition but do not affirmatively support the bill.

The County of Los Angeles (Attachment A) is opposed to AB 1853, consistent with its existing legislative policy to oppose any abridgment or elimination of the Board of Supervisors' power and duties unless the change promotes a higher priority of the Board. The bill is described by the County as removing the Board of Supervisors' authority over compensation and employment benefits, including county retirement benefits, of LACERA employees. Staff inquired with staff at the Intergovernmental and External Relations Branch of the County of Los Angeles' Chief Executive Office regarding the effect of the amendments of June 20, 2016 on the County's position. The amendments did not remove the provision that would enable a board of retirement to adopt a resolution to become a district without the approval of the Board of Supervisors, which would remove the authority of the Board of Supervisors, as currently described by the County, over compensation and employment benefits. The County of Los Angeles remains opposed to AB 1853. Notwithstanding its position on AB 1853, County Counsel provided an opinion in 1996 (see below) that the role of the Board of Supervisors in approving the LACERA Board-determined compensation of LACERA employees under CERL is ministerial.

Also attached is an updated Q & A (Attachment B) issued by the bill's sponsor that incorporates the most recent amendments to the bill.

LACERA's Legislative Policy

The Board of Retirement's (BOR) legislative policy adopted on July 12, 2012 includes support for proposals that give the BOR increased flexibility in its administration. The Board of Investment's (BOI) legislative policy adopted on April 10, 2013 includes support for proposals that give the BOI increased flexibility in its investment policy and program administration. The proposed bill is consistent with those legislative policy standards in that it enables a CERL retirement system to become a district in order to establish its own classifications and compensation rates for the purposes of directly recruiting top-level and senior management personnel and offering compensation competitive with the private sector to attract and retain such personnel.

According to an opinion issued on May 16, 1996 by County Counsel to the Chief Administrative Officer of the County of Los Angeles (Attachment C), LACERA is a separate entity from the County and has the independent authority to appoint and compensate employees without County oversight. Although the employees must be included in the salary ordinance or resolution adopted by the Board of Supervisors for the compensation of county officers and employees, the Board of Supervisors plays no

role in classifying LACERA positions or in setting LACERA salaries. The Board of Supervisors therefore has a ministerial duty to include LACERA classifications and compensation in the County salary ordinance.

As such, LACERA already has the latitude to establish separate classifications and pay rates for LACERA employees without the need to invoke district status.

IT IS THEREFORE RECOMMENDED THAT YOUR BOARDS continue your “Watch” position on Assembly Bill 1853, which would enable any retirement system operating under the County Employees Retirement Law of 1937 to become a district.

Reviewed and Approved:



Steven P. Rice, Chief Counsel

Attachments

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

ATTACHMENT A



County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
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(213) 974-1101
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SACHI A. HAMAI
Chief Executive Officer

Board of Supervisors
HILDA L. SOLIS
First District

MARK RIDLEY-THOMAS
Second District

SHEILA KUEHL
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

May 17, 2016

To: Supervisor Hilda L. Solis, Chair
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: Sachi A. Hamai
Chief Executive Officer

SACRAMENTO UPDATE

Executive Summary

This memorandum contains a report on the following:

- **Pursuit of County Position to Oppose AB 1853 (Cooper).** This measure would allow a retirement system governed under the County Employees Retirement Law of 1937, such as the Los Angeles County Employees Retirement Association, to elect by resolution to be an independent district and, as such, classify various county personnel as employees of the retirement system, without the approval of the county board of supervisors. Therefore, unless otherwise directed by the Board, consistent with existing policy to oppose any abridgement or elimination of the Board of Supervisors' powers and duties unless the change promotes a higher priority of the Board, **the Sacramento advocates will oppose AB 1853.**

Pursuit of County Position on Legislation

AB 1853 (Cooper), which as amended on May 11, 2016, would allow a retirement system governed under the County Employees Retirement Law of 1937 (CERL), such as the Los Angeles County Employees Retirement Association (LACERA), to elect by resolution to be an independent district and, as such, classify various county personnel as employees of the retirement system, without the approval of the county board of supervisors.

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Intra-County Correspondence Sent Electronically Only**

Each Supervisor
May 17, 2016
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Under existing law, the County Employees Retirement Law of 1937 (CERL), retirement boards have the option to individually pursue statutory change to become a district. As a district, a retirement board can hire personnel who would not be restricted to their counties' salary ordinance, which can be a barrier for a public agency to recruit typically high salaried talent, such as a chief investment officer. Under CERL, employees of a county retirement system are county employees, subject to county civil service provisions and salary ordinances under the authority of the board of supervisors. Four retirement systems have statutorily become districts: Orange, San Bernardino, Contra Costa and Ventura.

AB 1853 would remove the requirement to amend State law to allow for a CERL retirement system to become a district. This measure would allow LACERA's boards of retirement and investment to pass a resolution to become a district, without approval of the Board of Supervisors, which would remove the Board's authority over compensation and employment benefits, including county retirement benefits, of LACERA employees.

This office opposes AB 1853. Therefore, unless otherwise directed by the Board, consistent with existing policy to oppose any abridgement or elimination of the Board of Supervisors' powers and duties unless the change promotes a higher priority of the Board, **the Sacramento advocates will oppose AB 1853.**

AB 1853 is sponsored by the State Association of County Retirement Systems. This measure is opposed by the Urban Counties of California, California State Association of Counties, and the Rural County Representatives of California.

AB 1853 passed the Assembly Public Employees, Retirement and Social Security Committee by a vote of 4 to 0 on May 4, 2016. This measure is currently on the Assembly Floor.

We will continue to keep you advised.

SAH:JJ:MR
VE:TOF:ma

c: All Department Heads
Legislative Strategist

ATTACHMENT B

AB 1853 ADDITIONAL Q & A

Q: Will AB 1853 remove the ability of the county to have input into whether a retirement system chooses to shift to a different operating authority structure?

A: No. The Retirement Board that governs the retirement system, and which would make any decision regarding the operating authority structure, is comprised of nine voting members, five of whom are appointed to the Retirement Board by the county (four Trustees appointed by the Board of Supervisors plus the County Treasurer or Director of Finance). With five of the nine voting members, the county will have substantial input into any decision regarding operating authority.

Q: Will AB 1853 remove 'local control' over the decision to shift to a different operating authority structure?

A: There will be no reduction in local control. The decision of whether to change the operating authority structure will be made by the local governing body of the retirement system – the Retirement Board. Retirement Board members are appointed or elected by the local stakeholders of the retirement system – the county, the active employees, and the retirees.

Q: Will there be reduced transparency into decisions regarding staff structure and staff compensation if those decisions are made by the Retirement Board without final approval by the Board of Supervisors?

A: There will be no reduction in transparency into personnel matters. The retirement system is subject to the Brown Act and the Public Records Act. Accordingly, Retirement Board meetings are public, and conducted pursuant to published agendas and statutory controls. Similarly, retirement system records are public, including those involving budgets, staffing and compensation. The Retirement Board already has sole authority to establish the budget for the retirement system. No approval or concurrence by the Board of Supervisors is required.

Q: Are there situations that can produce a conflict of interest between the county and the retirement system, and under the current operating authority structure could such a conflict of interest impede the ability of the Retirement Board to take appropriate action?

A: Yes. When the retirement systems were created, it was recognized that there could be potential conflicts between the decisions that needed to be made in order for the retirement system to meet its statutory and fiduciary responsibilities

and the desires of the county. For that reason, an independent Retirement Board was established and given the plenary authority and fiduciary duty for administering the retirement system.

A prime example of a potential conflict of interest is the decision on the proper contribution rate that must be paid by the employer in order to assure sound funding for the retirement system. By law, this decision is vested in the Retirement Board, but it is one that can, and periodically has, resulted in pressure from the county to lower the contribution rate they must pay. The passage of PEPRA has added more potential conflict of interest situations. For example, the retirement system is now required to monitor for and take actions to prevent pension spiking, which can impact highly placed county employees and/or be a product of county decisions or practices. In addition, the retirement system now has greater responsibility to oversee areas such as proper member enrollment and post-retirement employment practices, including the authority to audit and penalize the county for deficiencies.

The county's power to withhold approval of personnel decisions under the current operating authority structure gives the county substantial leverage in situations where it is unhappy with decisions made by the Retirement Board. As a result, in such a situation, the Retirement Board may feel pressure to modify its position in order to secure cooperation from the county in personnel matters.

Assuring the ability of the Retirement Board to make uncompromised decisions in executing its duties is a core reason why AB 1853 is necessary.

Q: Have there been actual situations where action or inaction by the county with respect to retirement system personnel matters has impeded the ability of a Retirement Board to carry out its responsibilities?

A: Yes. There have been cases where the county has not approved staff positions determined by the Retirement Board to be necessary to meet the duties of the retirement system. There have also been cases where the county has refused to implement the compensation range approved by the Retirement Board for retirement system personnel, resulting in the loss of key staff and an inability to secure replacements with the necessary skill level and experience. These situations can result in diminished performance by the retirement system with respect to the quality and quantity of customer service provided to its members. In the investment area, such situations can impede the ability to maximize returns and/or reduce risk, factors that adversely impact investment performance and lead to higher contribution rates.

- Q: In the situations described above, would the retirement system's personnel decisions have caused the county to cut funding for some other purpose?
- A: No. The retirement system budget, including all of the retirement system's personnel costs, is funded completely out of the pension trust. Implementing the personnel decisions would not have required an appropriation from the county general fund or a cut in county funding for some other purpose.
- Q: How are the personnel costs of the retirement system funded?
- A: Like the benefits paid by the retirement system, the operating cost – including the personnel costs – is primarily funded by the investment earnings. Each year both the employer and the employees make a contribution to the retirement system to help fund the annual cost of the retirement benefits that are accruing and ultimately paid to employees at retirement. A very small component of the annual contribution is designated to help fund the operating cost of the retirement system.
- Q: Would a change in operating authority structure remove the ability of the county to review or have input regarding retirement system personnel matters.
- A: No. Since the county appoints five of the nine voting members of the Retirement Board, the county would continue to have substantial oversight and input on retirement system personnel matters. Additional oversight and input would be provided by the active members and retirees through the members of the Retirement Board that represent them.
- Q: Is the desire to change the retirement system operating authority structure solely to raise the compensation for the executive management?
- A: No. There are multiple reasons why the ability to change the operating authority structure might be desired, including: (1) It helps assure the ability of the retirement system to make uncompromised decisions in executing key responsibilities; (2) It helps the retirement system to be able to provide high quality customer service to its members; and (3) It enhances the ability to provide improved investment performance, which in turn, positively impacts the cost of the benefit plan. Finally, AB 1853 provides a mechanism for all individuals who work at the retirement system to become employees of the retirement system, and by doing so, become subject to the personnel decisions of the Retirement Board.

Q: Does AB 1853 allow for a reasonable and smooth transition in operating authority?

A: AB 1853 has a number of provisions designed to provide for a reasonable and smooth transition in operating authority for both the county and the people who work at the retirement system.

First, the retirement system is required to provide at least 60 days advance notice to the county, other participating employers, and the employees of the retirement system (and their bargaining units, if applicable) of its consideration of a potential change in operating authority. The retirement system is further required to make good faith efforts in this period to address any concerns raised.

Second, the bill provides a mechanism for individuals who work at the retirement system to determine whether they wish to become retirement system employees or remain county employees. If the Retirement Board decides to change the operating authority structure, it must shift to a structure that will allow all employees who 'opt-in' to become retirement system employees.

Third, the bill contains a number of provisions designed to preserve various rights and benefits previously held when the retirement system employees were county employees, including representation; the terms of any bargaining agreement; seniority; employment status; salary level; and leave balances and accrual rate.

Fourth, the bill provides that retirement system employees have the same right and ability as when they were county employees to participate in county benefit plans and programs, including health insurance, workers compensation and deferred compensation. Under the bill, the Retirement Board will contract with the county for such services and will pay the employer costs and reasonable administrative expenses to the county.

Finally, the bill requires that the retirement system and the county enter into any other agreements necessary to implement the change in operating authority, and that the county must cooperate fully in such efforts. As with the employee benefit plans, the retirement system will pay reasonable administrative expenses associated with establishing and implementing the necessary agreements.

Q: Have the necessary agreements and changes in operating authority been successfully implemented at other 1937 Act systems?

A: Yes.

ATTACHMENT C

**County Counsel Opinion
May 16, 1996**

Attachment



DE WITT W. CLINTON, COUNTY COUNSEL

COUNTY OF LOS ANGELES
OFFICE OF THE COUNTY COUNSEL
648 KENNETH HAHN HALL OF ADMINISTRATION
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May 16, 1996

Sally R. Reed
Chief Administrative Officer
713 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Re: Status of LACERA Employees

Dear Ms. Reed:

By memo dated April 5, 1996, you asked that we review the opinion provided to LACERA by the law firm of Morrison & Foerster regarding the classification and compensation of LACERA employees. In particular, you have asked for our opinions on the following questions:

1. Do we concur with the Morrison & Foerster opinion, including the conclusion that the Board of Supervisors must "without discretion" implement by ordinance the classification and compensation changes adopted by LACERA for its employees?
2. If LACERA employees are subject to the County Civil Service system, are they subject to the same classification system established and maintained by the County for County employees? If yes, are they subject to the same County administration of that system? Specifically, should classification actions affecting LACERA employees be subject to the approval of the County's Director of Personnel in the same manner and to the same extent that classification actions affecting all other County employees are subject to the approval of the Director of Personnel?

Sally R. Reed, Chief Administrative Officer
Page 2

3. If classification actions affecting LACERA employees are not subject to the approval of the Director of Personnel, does LACERA have the latitude to independently modify the classification plan by establishing new classes that are unique to LACERA? If yes, does LACERA have an obligation to apply the same classification policies and standards and generally exercise the same care exercised by the County in the approval of reclasses and the establishment of new classes?

4. Does LACERA have the latitude to establish separate pay rates for LACERA employees who hold positions in generic County-wide classes? For example, can LACERA establish a salary for Senior Clerk that is different from the salary the County has established for Senior Clerk? Can LACERA provide a different fringe benefit package for Senior Clerk?

5. Generally, what control, if any, does the Board of Supervisors have over the classification and compensation of LACERA employees?

6. Although the Morrison & Foerster opinion points to the effects of Proposition 162, it seems to base its opinion, in part, on interpretation of the 1937 Retirement Act. Are there potential changes to the 1937 Retirement Act, or other State law, that, if legislated, would give greater control to the Board of Supervisors over the classification and compensation of LACERA employees? If yes, what are those changes?"

Our opinions are as follows:

1. We concur with the Morrison & Foerster opinion, including the conclusion that the Board of Supervisors has a ministerial duty to adopt an ordinance implementing classification and compensation changes adopted by LACERA for its employees.

2. By statute, LACERA employees are subject to the civil service provisions of the County Charter and to the County's Civil Service Rules. They are not subject to the classification system maintained by the County for its employees, nor are classification actions affecting LACERA employees subject to the approval of the Director of Personnel.

Sally R. Reed, Chief Administrative Officer
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3. The LACERA boards may establish their own classification system, and may establish classes that are unique to LACERA. In doing so, they may establish their own classification policies and standards and are not bound by the County's classification policies and standards.

4. LACERA may establish different pay rates for LACERA employees who hold positions in generic County-wide classes, although we recommend that such classes be designated differently to avoid confusion. LACERA may also provide fringe benefits for its employees which are different from corresponding County classes. However, if changes in pay or benefits involve represented employees, LACERA would have an obligation to meet and confer with employee representatives before making such changes.

5. The Board of Supervisors has no direct control over the classification or compensation of LACERA employees. However, if the Board of Supervisors feels that the LACERA boards have abused their discretion with regard to the classification or compensation of LACERA employees in a manner which is detrimental to the County, the Board may seek judicial review of the LACERA action.

6. The County could seek to amend the 1937 Retirement Law to provide that LACERA classification and compensation decisions require Board of Supervisors' approval. However, the courts may well hold that such an amendment violates Proposition 162.

ANALYSIS

Answering your first question, we concur with the Morrison & Foerster opinion provided to LACERA, including the conclusion that the Board of Supervisors has a ministerial duty to implement by ordinance the classification and compensation changes adopted by LACERA for its employees. As noted in the Morrison & Foerster opinion, case law has made it clear that LACERA is a completely separate entity from the County, and this has been reemphasized by Proposition 162. In addition, the legislative history of Government Code Sections 31522.1 and 31580.2 makes it clear that the Legislature intended for the LACERA boards to have independent authority to select and compensate their employees without County oversight, and this has also been reemphasized by case law construing Proposition 162.

Sally R. Reed, Chief Administrative Officer
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Since we agree with the Morrison & Foerster opinion, we will not duplicate their analysis here. However, as noted in their opinion, and as we recall, the Board of Supervisors opposed the legislation giving personnel and budget authority to LACERA and lost, and the Board also urged the Governor to veto the legislation, but he did not. Hence, the County lost the legislative battle some 23 years ago, and the full effects are only now being felt.

LACERA employees are not County employees in any general sense. They are not County employees by virtue of the County Charter, which requires the Board of Supervisors to provide for the number, classification, compensation, and appointment of County employees. Nor do they meet the usual common-law tests relating to employees, since the County does not appoint, remove, direct, control, compensate or provide office space for them. Rather, LACERA employees are made County employees by statute for rather limited purposes primarily relating to the manner of their appointment and their tenure. Being County employees also allows them to participate in the retirement system and to receive County fringe benefits unless other benefits are established by the LACERA boards. This is not an unusual situation. For example, Government Code Section 53200.3 provides that for purposes of participating in group insurance plans, judges are County employees.

Government Code Section 31522.1 provides:

"The board of retirement and both the board of retirement and the board of investment may appoint such administrative, technical, and clerical staff personnel as are required to accomplish the necessary work of the boards. The appointments shall be made from eligible lists created in accordance with the civil service or merit system rules of the county in which the retirement system governed by the boards is situated. The personnel shall be county employees and shall be subject to the county civil service or merit system rules and shall be included in the salary ordinance or resolution adopted by the board of supervisors for the compensation of county officers and employees."

It is clear from Section 31522.1 that the LACERA boards are the appointing authority for LACERA employees, and that in making such appointments, they are bound by the County Civil Services rules, and that the employees have County civil service protection with regard to tenure.

Sally R. Reed, Chief Administrative Officer
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While Section 31522.1 is silent with regard to the classification of LACERA employees, it does provide that the LACERA boards "may appoint such administrative, technical, and clerical staff personnel as are required to accomplish the necessary work of the boards." (Emphasis added.) Since the LACERA boards are presumably in the best position to judge the types of employees necessary to accomplish their work, we believe that the Legislature intended to leave the question of classification up to them. They are also in the best position to determine the compensation levels necessary to recruit and retain qualified employees.

In that regard, Government Code Section 31580.2 provides:

"In counties where the board of retirement and board of investment have appointed personnel pursuant to Section 31522.1, the respective 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 shall not exceed eighteen-hundredths of 1 percent of the total assets of the retirement system."

Since LACERA and not the County compensates LACERA employees, we believe the Legislature intended the LACERA boards to set compensation levels for their employees. This is confirmed by the fact that Section 31522.1 requires that LACERA employees "be included in the salary ordinance or resolution adopted by the board of supervisors for the compensation of county officers and employees." If their classification and compensation was determined by the Board of Supervisors, they would automatically be included in the County salary ordinance or resolution and there would be no need for the quoted statutory language.

Since the Board of Supervisors plays no role in classifying LACERA positions or in setting LACERA salaries, and the language of Section 31522.1 is mandatory, we conclude that the Board has a ministerial duty to include LACERA classifications and compensation in the County salary ordinance.

Answering your second question, LACERA employees are subject to the County Civil Service system in the sense that they have Civil Service protection and must be appointed from eligible lists "created in accordance with the civil service or merit system rules of the county...."

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However, as noted above, they are not subject to the County's classification system and classification actions taken by LACERA are not subject to the approval of the Director of Personnel.

Answering your third question, LACERA has the latitude to independently modify the existing classification plan by establishing new classes that are unique to LACERA. In doing so, LACERA has no obligation to apply the County's classification policies and standards, but is free to establish its own policies and standards relating to the classification and reclassification of positions.

Answering your fourth question, LACERA has the latitude to establish separate pay rates for LACERA employees who hold positions in generic County-wide classes. However, to avoid confusion, we would recommend to LACERA that such positions be designated differently to distinguish them from their County counterparts. LACERA may also provide a different fringe benefit package for its employees, including members of generic County-wide classes. However, any changes in classification or compensation involving represented employees would require LACERA to meet and confer with employee representatives pursuant to the Meyers-Millias-Brown Act before taking any action. (We note that LACERA, as a separate entity, is not subject to ERCOM.)

Answering your fifth question, as noted above, the Board of Supervisors has no discretion with regard to the classification or compensation of LACERA employees, but merely has a ministerial duty to include them in the salary ordinance. However, if the Board of Supervisors feels that LACERA has abused its discretion in classifying or establishing compensation for LACERA employees, and that such action affects the County's contribution rate or is otherwise detrimental to the County, the Board of Supervisors may seek judicial review of the LACERA action.

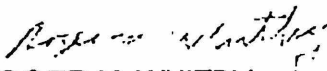
Answering your sixth question, the County could seek to amend the 1937 Retirement Law to provide that classification and compensation actions regarding LACERA employees are either performed by the County in the first instance or require the approval of the Board of Supervisors before they are implemented. However, LACERA would obviously oppose any such legislative changes, and if adopted, the courts might well hold that such requirements violate Proposition 162. Proposition 162

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vests "plenary authority" to administer the retirement system in the Board of Retirement, and the ability to classify and set compensation for employees may be inherent in that authority.

Very truly yours,

DE WITT W. CLINTON
County Counsel

By 
ROGER M. WHITBY
Senior Assistant County Counsel

APPROVED AND RELEASED:


DE WITT W. CLINTON
County Counsel

RMW:md

RMW6.1:96r-11.1tr

**LEGISLATIVE ANALYSIS
ASSEMBLY BILL 1853**

AUTHOR: Cooper [D]

INTRODUCED: February 10, 2016

AMENDED: June 20, 2016, May 11, 2016, March 29, 2016

SPONSOR: State Association of County Retirement Systems

SUMMARY: The County Employees Retirement Law of 1937 (CERL) authorizes counties to establish retirement systems to provide pension benefits to county and district employees. The retirement systems of Orange County, San Bernardino County, Contra Costa County, and Ventura County are currently “districts” as defined by Government Code Section 31468(l).

This bill would authorize a CERL retirement system to become a district upon adoption of a resolution by its board of retirement. At least 60 days prior to consideration of such a resolution, the retirement system must notify its participating employers, the employees of the retirement system, and any employee organizations representing those employees of its intent to become a district. The retirement system must meet with its stakeholders to discuss its intended action and make good faith efforts to address questions and concerns.

Prior to the adoption of the resolution by the board of retirement or any time thereafter, an employee organization representing the employees working at the retirement system may advise the system in writing that the employees wish to cease being county employees and become employees of the retirement system.

Prior to the adoption of the resolution by the board of retirement or any time thereafter, an unrepresented employee—except for those who were previously appointed as unclassified employees—may also advise the system in writing that he or she wishes to cease being county employee and become an employee of the retirement system. That employee and successor employees in that position will be retirement system employees. Unclassified employees cease to be county employees and become retirement system employees upon adoption of a resolution to become a district.

The board will adopt further resolutions under the appropriate operating model that would enable the employees who made an election to be a retirement system employee to become one.

Employees who were not new members under the California Public Employees' Pension Reform Act of 2013 (PEPRA) and who make the election to become retirement system employees will retain the retirement plan available to them before the enactment of PEPRA.

Employees who elect to cease being county employees will become retirement system employees at their existing or equivalent classifications. In the transition from county employment to retirement system employment, employees would retain seniority rights, salary rates, leaves of absence, and leave accrual rates earned as county employees, which are subject to subsequent revisions based on regulations governing the terms and conditions of employment or a subsequent memorandum of understanding. The retirement system would recognize the employee organization of represented county employees who become retirement system employees as their exclusive representative and would honor any existing memorandum of understanding for its duration. The compensation of personnel appointed as retirement system employees would be considered an expense of administration.

Retirement system employees would be afforded the opportunity to participate in county benefit plans and programs, and the board of retirement would contract with the county to administer the plans and programs for the retirement system's employees and provide the employer cost for such programs unless and until the board of retirement chooses to provide different benefits or benefit levels through another provider.

Any other agreements may be entered into between the board of retirement and the county to implement the objectives related to the election by a retirement system to become a district. The county will cooperate fully and act in a timely manner to implement the agreements; the retirement system will pay reasonable and appropriate expenses related to the implementation of the agreements.

Upon becoming a district, the board of retirement may continue to make regulations not inconsistent with CERL, but such regulations would no longer require approval by the board of supervisors.

Existing law enables both the board of retirement and board of investments to appoint personnel. With respect to LACERA, the bill would authorize both the Board of

Retirement and Board of Investments to adopt a resolution to become a district and appoint personnel.

The bill also makes various technical and conforming changes.

ANALYSIS:

The establishment of the retirement system as a district and independent entity from the county does not change the plan sponsor's ability to control benefit increases or decreases. It also does not change the governance of the retirement system in terms of the structure of the board or number of board members. The statutory budget cap remains in place.

As a district, the retirement system would be able to set the terms and conditions of employment, and employees would be employed by the retirement system rather than the county and therefore not subject to county civil service rules or county salary ordinances. The retirement system would be able to directly recruit top-level and senior management personnel and offer compensation competitive with the private sector to attract and retain such personnel. LACERA already possesses the authority under CERL to set the compensation of its employees. In 1996, County Counsel provided an opinion letter concurring with the position that the role of the Board of Supervisors is purely ministerial in incorporating the compensation determined by the LACERA Boards into the salary ordinance.

The election by a retirement system to become a district would not automatically make represented employees or those nonrepresented employees who are not unclassified employees cease to be county employees. The provisions afford protection and flexibility to those employees by enabling them to decide if and when to become a retirement system employee.

In the transition from county employment to retirement system employment, employees would continue to be members of the retirement system with no interruption of service or loss of service credit. New employees to the district would become members of the retirement system on the first day of the calendar month following the date of hire.

The rights and accrued benefits of existing employees would be preserved in the transition to a district by a retirement system. Existing labor agreements would continue until new ones can be negotiated.

The bill would provide flexibility in adopting an operating model for retirement systems that contemplate becoming a district. They may adopt any of the existing operating models represented by retirement systems of Orange County, San Bernardino County, and Contra Costa County and change to a different model in the future. In the operating model for Orange County and San Bernardino County, management and other specified personnel are retirement system employees, whereas all other employees are county employees. In the operating model for Contra Costa County, all personnel are retirement system employees. The bill would also provide flexibility to existing retirement systems that are currently districts to change operating models.

LACERA is the only CERL retirement system that has a separate board of investments. LACERA's boards authorized staff to submit appropriate amendments to the bill that would provide both the Board of Retirement and Board of Investments the option to elect district status and gain the rights afforded by this legislation if it becomes law.

Legislative History

AB 1291 (Chapter 223, Statutes of 2015) included the Ventura County Employees' Retirement System (VCERA) within the definition of "district" and authorized the OCERS board of retirement to appoint specified personnel as employees of the retirement system. LACERA's Board of Retirement adopted a "Watch" position on June 11, 2015.

SB 673 (Chapter 244, Statutes of 2014) included the Contra Costa County Employees' Retirement System (CCCERA) within the definition of "district" and authorized the CCCERA board of retirement to appoint personnel as employees of the retirement system. LACERA's Board of Retirement adopted a "Watch" position on March 13, 2014.

AB 1034 (2009) included the Marin County Employees' Retirement Association (MCERA) within the definition of "district" upon adoption of a resolution by the MCERA board of retirement and authorized the board to appoint specified personnel as employees of the retirement system. LACERA's Board of Retirement adopted a "Watch" position on May 7, 2009. The bill died in committee.

AB 1406 (Chapter 393, Statutes of 2009) expanded the list of positions that the San Bernardino County Employees' Retirement Association (SBCERA) board of retirement may appoint as employees of the retirement system. LACERA's Board of Retirement adopted a "Watch" position on June 11, 2009.

SB 777 (Chapter 369, Statutes of 2006) included the San Bernardino County Employees' Retirement Association (SBCERA) within the definition of "district" upon adoption of a resolution by the SBCERA board of retirement and authorized the board to appoint specified personnel as employees of the retirement system. LACERA's Board of Retirement adopted a "Support" position since the bill contained clean-up provisions related to LACERA's noncontributory Plan E.

AB 1992 (Chapter 74, Statutes of 2002) included the Orange County Employees Retirement System (OCERS) within the definition of "district" and authorized the OCERS board of retirement to appoint specified personnel as employees of the retirement system. LACERA's Board of Retirement adopted a "Watch" position on June 13, 2002.

SUPPORT: State Association of County Retirement Systems
Peace Officers Research Association of California

OPPOSITION: California State Association of Counties
Los Angeles County Board of Supervisors
Rural County Representatives of California
Sacramento County Board of Supervisors
San Joaquin County Board of Supervisors
Urban Counties of California
Merced County Employees' Retirement Association

BOI POSITION: Watch (05-10-16)

BOR POSITION: Watch (05-05-16)

**STAFF
RECOMMENDATION:** Continue to Watch

PREPARED BY: Barry W. Lew, Legislative Affairs Officer

DATED: June 30, 2016

AMENDED IN SENATE JUNE 20, 2016

AMENDED IN ASSEMBLY MAY 11, 2016

AMENDED IN ASSEMBLY MARCH 29, 2016

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 1853

Introduced by Assembly Member Cooper

February 10, 2016

An act to amend Sections 31459.1, 31468, 31522.3, 31522.5, 31522.7, 31522.9, 31528, 31529.9, 31535, 31557.3, and 31580.2 of, and to add Section 31522.75 to, the Government Code, relating to county employees' retirement.

LEGISLATIVE COUNSEL'S DIGEST

AB 1853, as amended, Cooper. County employees' retirement: districts: retirement system governance.

(1) 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 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. PEPRA 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. *The bill would require the retirement system to notify, and to meet and discuss with, participating employers in the retirement system, the employees of the system, and an employee organization of the retirement system's intent to exercise this authority at least 60 days before considering a resolution to make these provisions applicable. The bill would grant an employee organization representing people who work for the retirement system, and an unrepresented person who works for the retirement system, the right to elect to be employees of the retirement system, which would be irrevokable, except as specified, and the status of the affected employee positions would remain changed for successor employees.* 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 PEPRA, 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 require counties to cooperate and act in a timely manner to establish and*

implement agreements in this regard. The bill would authorize retirement systems currently operating under alternative administrative structures also to adopt these provisions. The bill would also extend this authorization and the associated provisions to a board of investment, as specified. The bill would make technical and conforming changes.

(2) CERL authorizes the retirement boards of 5 specified counties to appoint assistant administrators and chief investment officers who, following appointment, are outside county charter, civil service, and merit system rules, except as specified. CERL provides that these administrators and officers are employees of the county, as specified, while serving at the pleasure of the appointing boards, and they may be dismissed without cause.

This bill would remove the limitation on these provisions to certain counties, thereby making them applicable to all CERL retirement systems.

(2)

(3) Existing law permits a board of retirement operating under CERL to issue subpoenas and to compensate persons who are subpoenaed. Existing law permits a board to delegate its subpoena power to a referee or administrator who is appointed pursuant to specified authority.

This bill would authorize specified retirement systems operating as districts to delegate the subpoena power, as described above.

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

The people of the State of California do enact as follows:

1 SECTION 1. Section 31459.1 of the Government Code is
2 amended to read:

3 31459.1. (a) In a county in which a board of investments has
4 been established pursuant to Section 31520.2:

5 (1) As used in Sections 31453, 31453.5, 31454, 31454.1,
6 31454.5, 31472, 31588.1, 31589.1, 31591, 31592.3, 31594,
7 31595.1, 31595.9, 31596, 31596.1, 31601.1, 31607, 31610, 31611,
8 31612, 31613, 31616, 31618, 31621.11, 31625, 31639.26, 31784,
9 and 31872, “board” means board of investments.

10 (2) As used in the first paragraph of Section 31592.2 and the
11 first paragraph and subdivision (c) of the second paragraph of
12 Section 31595, “board” means a board of investments.

1 (3) Sections 31521, 31522, 31522.1, 31522.2, 31523, 31524,
2 31525, 31528, 31529, 31529.5, 31535.1, 31580.2, 31614, 31680,
3 and 31680.1, apply to both the board of retirement and board of
4 investments, and "board" means either or both the board of
5 retirement and board of investments.

6 (4) Subdivision (a) of Section 31526 and subdivisions (a) and
7 (b) of the second paragraph of Section 31595 apply to both the
8 board of retirement and board of investments, and "board" means
9 either or both the board of retirement and board of investments.

10 (5) Paragraph (5) of subdivision (l) of Section 31468 and
11 Sections ~~31522.5 and 31522.75~~ 31522.5, 31522.7, 31522.75, and
12 31522.9 apply to both the board of retirement and board of
13 investments. For these purposes, "board" means both the board of
14 retirement and board of investments. "Board of retirement" also
15 means both the board of retirement and board of investments.

16 (b) In Article 17 (commencing with Section 31880) of this
17 chapter, "board" means the Board of Administration of the Public
18 Employees' Retirement System.

19 (c) In all other cases, "board" means the board of retirement.

20 (d) This section shall apply only in a county of the first class,
21 as defined in Section 28020, as amended by Chapter 1204 of the
22 Statutes of 1971, and Section 28022, as amended by Chapter 43
23 of the Statutes of 1961.

24 SEC. 2. Section 31468 of the Government Code is amended
25 to read:

26 31468. (a) "District" means a district, formed under the laws
27 of the state, located wholly or partially within the county other
28 than a school district.

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

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

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

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

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

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

20 (h) “District” also includes the South Coast Air Quality
21 Management District, a new public agency created on February
22 1, 1977, pursuant to Chapter 5.5 (commencing with Section 40400)
23 of Part 3 of Division 26 of the Health and Safety Code.

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

29 (2) No retirement system coverage may be effected for an
30 employee of the South Coast Air Quality Management District
31 who commenced employment with the district during the period
32 commencing on February 1, 1977, and ending on December 31,
33 1978, unless and until the employee shall have elected whether to
34 become a member of the retirement association established in
35 accordance with this chapter for employees of Los Angeles County
36 or the retirement association established in accordance with this
37 chapter for employees of San Bernardino County. The election
38 shall occur before January 1, 1980. Any employee who fails to
39 make the election provided for herein shall be deemed to have
40 elected to become a member of the retirement association

1 established in accordance with this chapter for the County of Los
2 Angeles.

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

8 (4) An employee of the South Coast Air Quality Management
9 District who commenced employment with the district during the
10 period commencing on February 1, 1977, and ending on December
11 31, 1978, and who has not terminated employment before January
12 1, 1980, shall be covered by the retirement association elected by
13 the employee pursuant to paragraph (2). That coverage shall be
14 effected no later than the first day of the first month following the
15 date of the election provided for in paragraph (2).

16 (5) Each electing employee shall receive credit for all service
17 with the South Coast Air Quality Management District. However,
18 the elected retirement association may require, as a prerequisite
19 to granting that credit, the payment of an appropriate sum of money
20 or the transfer of funds from another retirement association in an
21 amount determined by an enrolled actuary and approved by the
22 elected retirement association's board. The amount to be paid shall
23 include all administrative and actuarial costs of making that
24 determination. The amount to be paid shall be shared by the South
25 Coast Air Quality Management District and the employee. The
26 share to be paid by the employee shall be determined by good faith
27 bargaining between the district and the recognized employee
28 organization, but in no event shall the employee be required to
29 contribute more than 25 percent of the total amount required to be
30 paid. The elected retirement association's board may not grant that
31 credit for that prior service unless the request for that credit is
32 made to, and the required payment deposited with, the elected
33 retirement association's board no earlier than January 1, 1980, and
34 no later than June 30, 1980. The foregoing shall have no effect on
35 any employee's rights to reciprocal benefits under Article 15
36 (commencing with Section 31830).

37 (6) An employee of the South Coast Air Quality Management
38 District who commenced employment with the district after
39 December 31, 1978, shall be covered by the retirement association
40 established in accordance with this chapter for employees of San

1 Bernardino County. That coverage shall be effected as of the first
2 day of the first month following the employee’s commencement
3 date.

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

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

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

28 (k) “District” also includes any special commission established
29 in the Counties of Tulare and San Joaquin as described by Section
30 14087.31 of the Welfare and Institutions Code, pursuant to a
31 contract between the special commission and the county setting
32 forth the terms and conditions of the special commission’s
33 inclusion in the county’s retirement system with the approval of
34 the board of supervisors and the board of retirement.

35 (l) (1) “District” also includes the retirement system established
36 under this chapter in Orange County.

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

1 (3) “District” also includes the retirement system established
 2 under this chapter in Contra Costa County.

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

5 (5) “District” also includes a retirement system established under
 6 this chapter at the time that the board of retirement, by resolution,
 7 makes this subdivision applicable to the retirement system in that
 8 county.

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

13 *SEC. 3. Section 31522.3 of the Government Code is amended*
 14 *to read:*

15 31522.3. (a) In a county in which the board of retirement or
 16 both the board of retirement and the board of investment have
 17 appointed personnel pursuant to Section 31522.1, the respective
 18 board or boards may elect to appoint assistant administrators and
 19 chief investment officers as provided for in this section. The
 20 positions of the assistant administrators and chief investment
 21 officers designated by the retirement board shall not be subject to
 22 county charter, civil service, or merit system rules. The persons
 23 so appointed shall be county employees and shall be included in
 24 the salary ordinance or salary resolution adopted by the board of
 25 supervisors for the compensation of county officers and employees.
 26 The assistant administrators and chief investment officers so
 27 appointed shall be directed by, shall serve at the pleasure of, and
 28 may be dismissed at the will of, the appointing board or boards.
 29 Specific charges, a statement of reasons, or good cause shall not
 30 be required as a basis for dismissal of the assistant administrators
 31 and chief investment officers by the appointing board or boards.

32 (b) This section shall not apply to any person who was an
 33 assistant administrator or a chief investment officer and was
 34 included in the county civil service or was subject to merit system
 35 rules on December 31, 1996.

36 ~~(c) This section shall only apply to a county of the third class,~~
 37 ~~a county of the eighth class, a county of the 14th class, a county~~
 38 ~~of the 15th class, or a county of the 18th class, as provided by~~
 39 ~~Sections 28020, 28024, 28029, 28035, 28036, and 28039.~~

1 ~~SEC. 3.~~

2 *SEC. 4.* Section 31522.5 of the Government Code is amended
3 to read:

4 31522.5. (a) In a county in which the board of retirement has
5 appointed personnel pursuant to Section 31522.1, the board of
6 retirement may appoint an administrator, an assistant administrator,
7 a chief investment officer, senior management employees next in
8 line of authority to the chief investment officer, subordinate
9 administrators, senior management employees next in line of
10 authority to subordinate administrators, and legal counsel.

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

21 (c) Except as otherwise provided by Sections 31529.9 and
22 31596.1, the compensation of personnel appointed pursuant to this
23 section shall be an expense of administration of the retirement
24 system, pursuant to Section 31580.2.

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

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

30 (f) This section shall apply in Orange County.

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

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

38 *SEC. 5.* Section 31522.7 of the Government Code is amended
39 to read:

1 31522.7. (a) In addition to the authority provided pursuant to
 2 Section 31522.5, the board of retirement in the County of San
 3 ~~Bernardino~~ *Bernardino, or in any other county in which this section*
 4 *has been made applicable*, may appoint an administrator, an
 5 assistant administrator, a chief investment officer, senior
 6 management employees next in line of authority to the chief
 7 investment officer, subordinate administrators, senior management
 8 employees next in line of authority to subordinate administrators,
 9 supervisors and employees with specialized training and knowledge
 10 in pension benefit member services, investment reporting
 11 compliance, investment accounting, pension benefit tax reporting,
 12 pension benefit financial accounting, pension law, and legal
 13 counsel.

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

24 (c) Except as otherwise provided by Sections 31529.9 and
 25 31596.1, the compensation of personnel appointed pursuant to this
 26 section shall be an expense of administration of the retirement
 27 system, pursuant to Section 31580.2.

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

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

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

37 ~~SEC. 4.~~

38 *SEC. 6.* Section 31522.75 is added to the Government Code,
 39 immediately following Section 31522.7, to read:

1 31522.75. (a) Any retirement system established under this
2 ~~chapter~~ chapter, including a retirement system that, at the time of
3 the enactment of this section, is operating pursuant to Section
4 31522.5, 31522.7, 31522.9, or 31522.10, may elect to make this
5 section, paragraph (5) of subdivision (l) of Section 31468, and
6 Section ~~31522.5~~ 31522.5, 31522.7, or 31522.9, applicable to the
7 retirement system upon adoption of a resolution by the board of
8 retirement.

9 (1) Before deciding upon a particular operating authority, a
10 retirement system that intends to make this section applicable shall
11 notify the participating employers in the retirement system, the
12 employees of the retirement system, and any employee organization
13 that represents those employees of its intent at least 60 days prior
14 to the board of retirement's consideration of a resolution making
15 this section applicable. During this period, the retirement system
16 shall meet with and discuss the proposed action with any of these
17 parties that wish to do so and shall make good faith efforts to
18 address any questions or concerns raised by these parties.

19 (2) (A) Prior to the adoption by the board of retirement of a
20 resolution making this section applicable, or at any time thereafter,
21 any employee organization that represents people who work at
22 the retirement system may advise the retirement system in writing
23 that the employees represented by the organization wish to cease
24 being county employees and wish to elect to become retirement
25 system employees under the terms of this section.

26 (B) Upon election by an employee organization that the
27 employees it represents will become retirement system employees,
28 the retirement system job classifications, positions, and future
29 retirement system employees represented by that employee
30 organization shall be retirement system employees.

31 (3) (A) Prior to the adoption by the board of retirement of a
32 resolution making this section applicable, or at any time thereafter,
33 any unrepresented employee of the retirement system, other than
34 those in positions appointed pursuant to Section 31522.2, 31522.3
35 or 31522.4, may advise the retirement system in writing that the
36 employee wishes to cease being a county employee and wishes to
37 elect to become a retirement system employee under the terms of
38 this section.

1 (B) Upon the election by an unrepresented employee to become
2 a retirement system employee, that employee, and future employees
3 in that position, shall be retirement system employees.

4 (4) An election to cease being a county employee and to become
5 a retirement system employee, whether made by an employee
6 organization on behalf of the employees it represents or by an
7 unrepresented employee, shall be irrevocable, except that an
8 employee who has elected to become a retirement system employee
9 by virtue of this section who subsequently moves to a position,
10 whether with the retirement system or with the county, that is not
11 deemed a position of the retirement system, shall be a county
12 employee unless and until the time as the employee elects to return
13 to being a retirement system employee as that may be authorized
14 by this section.

15 (5) The retirement system shall elect to make either Section
16 31522.5, 31522.7 or 31522.9 applicable to the retirement system,
17 as necessary, in order to allow the employees who elect to become
18 retirement system employees, successor employees in those
19 positions, and other appointed employees to have the status of
20 employees of the retirement system.

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

24 (c) (1) Notwithstanding any other law, the personnel appointed
25 pursuant to this section ~~or Section 31522.5~~ and the sections
26 referenced of subdivision (a) shall not be county employees, but
27 shall be employees of the retirement system, subject to terms and
28 conditions of employment established by the board of retirement
29 and the provisions of this section.

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

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

39 (4) With regard to an individual who was employed by the
40 county before January 1, 2013, and who becomes a retirement

1 system employee and then changes employment positions as
2 described in paragraph (2) of subdivision (c) of Section 7522.02,
3 the retirement system shall have the former obligations of the
4 county to provide a defined benefit plan that otherwise would have
5 been available to the employee had he or she remained a county
6 employee.

7 (d) Any employees who were previously appointed to retirement
8 system personnel positions pursuant to Section 31522.2, 31522.3,
9 or 31522.4 shall cease to be county employees and shall become
10 retirement system employees at their existing or equivalent
11 classifications as of the date the board of retirement makes this
12 section applicable pursuant to subdivision (a), subject to any
13 subsequent revisions the retirement board may make pursuant to
14 regulations governing terms and conditions of ~~employment.~~
15 *employment, and when applicable, the provisions of a subsequent*
16 *memorandum of understanding or bargaining agreement covering*
17 *the employee.*

18 (e) *Any employees who were previously appointed to retirement*
19 *system personnel positions pursuant to Section 31522.1 and are*
20 *subsequently appointed as retirement system employees pursuant*
21 *to subdivision (a) shall cease to be county employees and shall*
22 *become retirement system employees at their existing or equivalent*
23 *classifications as of the date the board of retirement makes this*
24 *section applicable, subject to any subsequent revisions the*
25 *retirement board may make pursuant to regulations governing*
26 *terms and conditions of employment and, when applicable, the*
27 *provisions of a subsequent memorandum of understanding or*
28 *bargaining agreement covering the employee.*

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

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

39 (1) *Employment seniority of a retirement system employee,*
40 *including, but not limited to, an employee's continuous service*

1 *date used for purposes of retirement or other benefits, as calculated*
 2 *and used under the county system in effect before the date this*
 3 *section becomes applicable, shall be calculated and used in the*
 4 *same manner by the retirement system at the time the county*
 5 *employee becomes a retirement system employee, subject to any*
 6 *subsequent revisions the retirement board may make pursuant to*
 7 *regulations governing terms and conditions of employment, and*
 8 *when applicable, the provisions of a subsequent memorandum of*
 9 *understanding or bargaining agreement covering the employee.*

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

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

27 (e)

28 (4) (A) Retirement system employees shall be afforded the
 29 opportunity to participate in county benefit plans and programs,
 30 including, but not limited to, group health, dental and life insurance,
 31 workers' compensation, and deferred compensation that existed
 32 on the date this section becomes applicable, under the same terms
 33 and conditions as those programs were available to county
 34 employees. The retirement board shall contract with the county to
 35 administer the county benefit plans and programs for retirement
 36 system employees, under the same terms and conditions applicable
 37 to county employees, and shall provide the employer cost and
 38 reasonable administrative expenses for participation in the
 39 programs unless and until the retirement board chooses to provide

1 different benefits or different benefit levels through another
2 provider.

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

9 ~~(f)~~

10 *(h) The board of retirement and the county may shall enter into*
11 *any agreements necessary and appropriate to carry out this section.*
12 *The county shall cooperate fully, and act in a timely manner, to*
13 *establish and implement these agreements and any other measures*
14 *necessary to accomplish the objectives in this section. The*
15 *retirement system shall pay reasonable and appropriate*
16 *administrative expenses associated with implementing these*
17 *agreements and measures.*

18 ~~(g)~~

19 ~~*(i) Sections 31522.1, 31522.2, 32522.3, and 32522.4 31522.3,*~~
20 ~~*and 31522.4 shall no longer apply to a retirement system that has*~~
21 ~~*made this section applicable.*~~

22 ~~(h)~~

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

27 ~~(i)~~

28 *(k) The compensation of personnel appointed pursuant to this*
29 *section shall be an expense of administration of the retirement*
30 *system pursuant to Section 31580.2, except as provided in Section*
31 ~~*31522.5. 31522.5, 31522.7, or 31522.9, as those sections may*~~
32 ~~*apply to a retirement system that has adopted them.*~~

33 ~~(j)~~

34 *(l) This section shall not be construed as to modify any authority,*
35 *or to require any subsequent action by, a retirement system that*
36 *has made paragraph (5) of subdivision (l) of Section 31468 and*
37 *Section 31522.5, 31522.7, 31522.9, or 31522.10 applicable to the*
38 *retirement system prior to the effective date of this section.*

39 *(m) A retirement system that has elected to make either Section*
40 ~~*31522.5, 31522.7, 31522.9, or 31522.10 applicable upon adoption*~~

1 of a subsequent resolution by the board of retirement may make
2 a different section apply.

3 SEC. 7. Section 31522.9 of the Government Code is amended
4 to read:

5 31522.9. (a) The board of retirement of a county may appoint
6 a retirement administrator and other personnel as are required to
7 accomplish the necessary work of the board. The board may
8 authorize the administrator to make these appointments on its
9 behalf. Notwithstanding any other law, the personnel so appointed
10 shall not be county employees but shall become employees of the
11 retirement system, subject to terms and conditions of employment
12 established by the board of retirement, including those set forth in
13 ~~memoranda~~ a memorandum of understanding executed by the
14 board of retirement and recognized employee organizations.

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

17 (c) The retirement system that appoints personnel pursuant to
18 this section is a public agency for purposes of the
19 Meyers-Milias-Brown Act (Chapter 10 (commencing with Section
20 3500) of Division 4).

21 (d) The compensation of personnel appointed pursuant to this
22 section shall be an expense of administration of the retirement
23 system, pursuant to Section 31580.2, except as provided in Sections
24 31529.5, 31529.9, and 31596.1.

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

28 (f) The retirement system, upon the effective date of this section,
29 shall retain, for a 90-day transition employment period,
30 nonprobationary employees who, upon the effective date of this
31 section, were covered by a county memorandum of understanding
32 and employed by the county at the retirement system's facilities,
33 unless just cause exists to terminate the employees or legitimate
34 grounds exist to lay off these employees. If during the 90-day
35 period the retirement system determines that a layoff of these
36 employees is necessary, the retirement system shall retain the
37 employees by seniority within job classification. The terms and
38 conditions of employment of the employees retained pursuant to
39 this subdivision shall be subject to the terms and conditions
40 established by the applicable ~~memoranda~~ memorandum of

1 understanding executed by the board of retirement and the
2 recognized employee organizations. During the 90-day transition
3 period, probationary employees shall maintain only those rights
4 they initially acquired pursuant to their employment with the
5 county.

6 (g) Subject to the employees' rights under the
7 Meyers-Milias-Brown Act (Chapter 10 (commencing with Section
8 3500) of Division 4), the retirement system, upon the effective
9 date of this section, shall recognize as the exclusive representative
10 of the employees retained pursuant to subdivision (f) the recognized
11 employee organizations that represented those employees when
12 employed by the county. The initial terms and conditions for those
13 employees shall be as previously established by the applicable
14 ~~memoranda~~ memorandum of understanding executed by the county
15 and recognized employee organizations.

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

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

20 ~~SEC. 5:~~

21 *SEC. 8.* Section 31528 of the Government Code is amended
22 to read:

23 31528. (a) Unless permitted by this chapter, a member or
24 employee of the board shall not become an endorser, surety, or
25 obligor on, or have any personal interest, direct or indirect, in the
26 making of any investment for the board, or in the gains or profits
27 accruing from those investments. A member or employee of the
28 board shall not directly or indirectly, for himself or herself, or as
29 an agent or partner of others, borrow or use any of the funds or
30 deposits of the retirement system, except to make current and
31 necessary payments authorized by the board.

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

37 (c) An individual who held a position designated in Section
38 31522.3, 31522.4, 31522.5, or established pursuant to Section
39 31522.75, or was a member of the board or an administrator, shall
40 not, for a period of two years after leaving that position, for

1 compensation, act as agent or attorney for, or otherwise represent,
 2 any other person except the county, by making any formal or
 3 informal appearance before, or any oral or written communication
 4 to, the retirement system, or any officer or employee thereof, if
 5 the appearance or communication is made for the purpose of
 6 influencing administrative or legislative action, or any action or
 7 proceeding involving the issuance, amendment, awarding, or
 8 revocation of a permit, license, grant, contract, or sale or purchase
 9 of goods or property.

10 ~~SEC. 6.~~

11 *SEC. 9.* Section 31529.9 of the Government Code is amended
 12 to read:

13 31529.9. (a) In addition to the powers granted by Sections
 14 31522.5, 31522.75, 31522.9, 31529, 31529.5, 31614, and 31732,
 15 the board of retirement and the board of investment may contract
 16 with the county counsel or with attorneys in private practice or
 17 employ staff attorneys for legal services.

18 (b) Notwithstanding Sections 31522.5, 31522.7, 31522.75,
 19 31529.5, and 31580, the board shall pay, from system assets,
 20 reasonable compensation for the legal services.

21 (c) This section applies to any county of the 2nd class, 7th class,
 22 9th class, 14th class, 15th class, or the 16th class as described by
 23 Sections 28020, 28023, 28028, 28030, 28035, 28036, and 28037.

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

27 ~~SEC. 7.~~

28 *SEC. 10.* Section 31535 of the Government Code is amended
 29 to read:

30 31535. The board may issue subpoenas and subpoenas duces
 31 tecum, and compensate persons subpoenaed. This power shall be
 32 exercised and enforced in the same manner as the similar power
 33 granted the board of supervisors in Article 9 (commencing with
 34 Section 25170) of Chapter 1, Part 2, Division 2, except that the
 35 power shall extend only to matters within the retirement board's
 36 jurisdiction, and committees of the board shall not have this power.
 37 Reasonable fees and expenses may be provided for by board
 38 regulation for any or all of such witnesses regardless of which
 39 party subpoenaed them.

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

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

10 ~~SEC. 8.~~

11 *SEC. 11.* Section 31557.3 of the Government Code is amended
12 to read:

13 31557.3. On the date a district, as defined in subdivision (l) of
14 Section 31468, is included in the retirement system, any personnel
15 appointed pursuant to Sections 31522.5, 31522.9, 31522.10,
16 31522.7, 31522.75, and 31529.9 who had previously been in county
17 service shall continue to be members of the system without
18 interruption in service or loss of credit. Thereafter, each person
19 entering employment with the district shall become a member of
20 the system on the first day of the calendar month following his or
21 her entrance into service.

22 ~~SEC. 9.~~

23 *SEC. 12.* Section 31580.2 of the Government Code is amended
24 to read:

25 31580.2. (a) In counties in which the board of retirement, or
26 the board of retirement and the board of investment, have appointed
27 personnel pursuant to Section 31522.1, 31522.5, 31522.7,
28 31522.75, 31522.9, or 31522.10, the respective board or boards
29 shall annually adopt a budget covering the entire expense of
30 administration of the retirement system which expense shall be
31 charged against the earnings of the retirement fund. The expense
32 incurred in any year may not exceed the greater of either of the
33 following:

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

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


39 (b) Expenditures for computer software, computer hardware,
40 and computer technology consulting services in support of these

- 1 computer products shall not be considered a cost of administration
- 2 of the retirement system for purposes of this section.

O

July 1, 2016

TO: Each Member
Board of Retirement

FROM: Barry W. Lew 
Legislative Affairs Officer

FOR: July 14, 2016 Board of Retirement Meeting

SUBJECT: **Assembly Bill 2376 – County Employees’ Retirement**

RECOMMENDATION

That the Board of Retirement continue its “Support” position on Assembly Bill 2376.

DISCUSSION

AB 2376 contains two provisions sponsored by LACERA:

1. Revised definition of Plan D in prospective plan transfer provisions.
2. Clarification of reciprocity provisions related to nonconcurrent retirement for Plan E members.

The bill also contains provisions sponsored by other organizations:

1. Authorizes a retirement board to make regulations related to sworn statements.
2. Authorization for alternate eighth member to vote in the absence of other employee representatives on a board of retirement.

On April 6, 2016, your Board adopted a “Support” position on AB 2376. On June 20, 2016, the section in AB 2376 related to previous service credit for safety members was deleted from the bill due to concerns raised by a member of the Senate Public Employment & Retirement Committee; generally, the subject matter of bills authored by the Assembly or Senate policy committees on retirement matters are technical and noncontroversial. The provisions sponsored by LACERA remain in the bill.

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD continue your "Support" position on Assembly Bill 2376.

Reviewed and Approved:

A handwritten signature in blue ink that reads "Steven P. Rice". The signature is written in a cursive style.

Steven P. Rice, Chief Counsel

Attachments

2016. Leg.AB 2376.BOR.070116

**LEGISLATIVE ANALYSIS
ASSEMBLY BILL 2376**

AUTHOR: Assembly Committee on Public Employees, Retirement,
and Social Security

INTRODUCED: February 18, 2016

AMENDED: June 20, 2016, March 9, 2016

SPONSORS: Los Angeles County Employees Retirement Association
(LACERA)
State Association of County Retirement Systems (SACRS)
California Retired County Employees Association (CRCEA)

SUMMARY: Definition of Plan D For Prospective Plan Transfers
(LACERA)

The County Employees Retirement Law of 1937 (CERL) authorizes LACERA members of Plan D to prospectively transfer to Plan E and vice versa. Plan D is currently defined as the contributory plan otherwise available to new members of the retirement system on the transfer date.

This bill would revise the definition of Plan D to mean the contributory plan otherwise available to members between June 1, 1979 and December 31, 2012.

Sworn Statements (SACRS)

CERL authorizes the board of retirement to make regulations that are not inconsistent with CERL. It also requires that regulations of the board of retirement shall include provisions for the filing of a sworn statement by every person who qualifies for membership. The sworn statement contains the date of birth, nature and duration of employment with the county, compensation, and other information required by the board.

This bill would authorize the retirement association to make regulations enabling the required information to be submitted by the member's employer in a form other than the sworn statement.

Plan E Reciprocity (LACERA)

A member of a retirement system established under CERL who is eligible to retire at age 50 pursuant to Government Code Section 31672 but who cannot retire concurrently from a reciprocal retirement system is entitled to have his final compensation and service credit determined as if he had retired concurrently under the reciprocal retirement system.

This bill would provide that Plan E members who are eligible to retire at age 55 but who cannot retire concurrently from a reciprocal retirement system is entitled to have his final compensation and service credit determined as if he had retired concurrently under the reciprocal retirement system.

Board of Retirement Alternate Retired Member (CRCEA)

The board of retirement is generally composed of nine members with an alternate safety member for the seventh member. Certain counties may provide for an alternate retired member to the eighth member. The alternate retired member can only vote in the absence of eighth member.

This bill would authorize the alternate retired member—if the eighth member is present—to vote in the absence of—

A: Both elected general members (second and third members).

B: Either of the elected general members (second or third member) and the elected safety member (seventh member).

ANALYSIS:

Definition of Plan D For Prospective Plan Transfers (LACERA)

The California Public Employees' Pension Reform Act of 2013 (PEPRA) requires that new members of LACERA be enrolled in Plan G on or after January 1, 2013. The revised definition of Plan D is a technical change that removes the conflict between Plan D and Plan G with respect to the definition of the contributory plan that is available to new members of the retirement system. The revision does not otherwise change the existing terms and conditions of the prospective plan transfer.

On November 4, 2015, LACERA's Board of Retirement directed staff to work with its legislative advocate to seek an author to introduce legislation that amends the definition of Plan D in the prospective plan transfer provisions of CERL.

Sworn Statements (SACRS)

The filing of a sworn statement may be duplicative and unnecessary if the employer collects the same information and electronically transmits it to the retirement

association. The bill provides the option for the submission of the information to the retirement system in a form other than the sworn statement.

The provision relating to sworn statements was a proposal put forth by the State Association of County Retirement Systems (SACRS) for the 2016 legislative year. On November 4, 2015, LACERA's Board of Retirement directed its voting delegate to support inclusion of the proposal in the SACRS legislative platform. At the November 2015 SACRS Conference, voting on the item was postponed to the May 2016 SACRS Conference because the boards of certain systems had not yet had the opportunity to consider all the proposals on the legislative platform.

Plan E Reciprocity (LACERA)

Plan E was established in 1982, and the provisions on reciprocity were intended to be applicable to Plan E members, except for those provisions dealing with disability retirement, death benefits, and the deposit of member contributions.

The bill's provision would clarify the applicability of the reciprocal provision on nonconcurrent retirement to Plan E members.

On May 21, 2015, LACERA's Board of Retirement directed staff to work its legislative advocate to seek an author to amend legislation relating to LACERA's noncontributory Plan E.

Board of Retirement Alternate Retired Member (CRCEA)

A similar proposal was submitted by the Merced County Employees' Retirement Association for inclusion in the 2016 SACRS legislative platform. The proposal was not approved by the SACRS Legislative Committee for inclusion, pending further study regarding the issue.

This provision, which is sponsored by the California Retired County Employees Association, would enable the alternate retired member to vote in the absence of two employee representatives on the board of retirement, which would avoid the cancellation of a meeting due to lack of a quorum for such absences.

At its meeting March 18, 2016, the SACRS Legislative Committee voted to support this amendment to the bill.

Safety Credit for Previous Service (SACRS)

Concern was raised by a member of the Senate Public Employment & Retirement Committee that the amended provision may unintentionally provide a windfall for those members who entered membership as general members and then became safety members in that the cost would be calculated based on general membership but credited as safety membership. As bills authored by the Assembly or Senate policy committees on retirement matters are generally considered technical and noncontroversial, this provision was deleted from the bill as amended on June 20, 2016.

BOR POSITION: Support (04-06-16)

**IBLC
RECOMMENDATION:** Support (03-02-16)

**STAFF
RECOMMENDATION:** Continue to Support

PREPARED BY: Barry W. Lew, Legislative Affairs Officer

DATED: July 1, 2016

AMENDED IN SENATE JUNE 20, 2016

AMENDED IN ASSEMBLY MARCH 9, 2016

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 2376

Introduced by Committee on Public Employees, Retirement, and Social Security (Assembly Members Cooper (Chair), Bonta, Cooley, Gonzalez, and O'Donnell)

February 18, 2016

An act to amend Sections 31494.2, 31494.5, ~~31526~~, and ~~31641.4~~ and 31526 of, and to add Sections 31495.7 and 31520.6 to, the Government Code, relating to county employees' retirement.

LEGISLATIVE COUNSEL'S DIGEST

AB 2376, as amended, Committee on Public Employees, Retirement, and Social Security. County employees' retirement: Los Angeles County.

The County Employees Retirement Law of 1937 (CERL) establishes retirement plans, known as Retirement Plan D and Retirement Plan E, that are applicable in the retirement system in Los Angeles County and prescribes procedures for members to transfer between those plans. CERL defines "Retirement Plan E" to mean the noncontributory retirement plan established by specific provisions, and defines "Retirement Plan D" to mean the contributory retirement plan otherwise available to new members of the retirement system on the transfer date.

This bill would revise the definition of Retirement Plan D to, instead, refer to the contributory retirement plan otherwise available to members of the system between June 1, 1979, and December 31, 2012, inclusive.

CERL provides for the retirement system in Los Angeles County specific ages and pension allowances for normal and early retirement. Under CERL, a member of a CERL retirement system who is eligible to retire at 50 years of age pursuant to specified statute, or who is required to retire because of age while a member of the Public Employees' Retirement System (PERS), a CERL retirement system in another county, the State Teachers' Retirement System (STRS), or a retirement system of any other public agency of the state that has established reciprocity with PERS subject to certain conditions, but who cannot retire concurrently from PERS, a CERL retirement system in another county, STRS, or a retirement system of any other public agency of the state that has established reciprocity with PERS subject to certain conditions, is entitled to have final compensation and service determined under specific statutes as if the member had retired concurrently under that other system (concurrent retirement exception). Provisions of CERL specifically applicable to Los Angeles County, among other things, apply reciprocal benefits, including the concurrent retirement exception, to the retirement system in Los Angeles County.

This bill would amend provisions of CERL specifically applicable to Los Angeles County to provide that the concurrent retirement exception applies to a member of the retirement system in Los Angeles County eligible to retire at 55 years of age and would state that the amendment is declaratory of existing law.

CERL sets forth the membership composition for boards of retirement, as specified. Under that law, the retirement board in specified counties is comprised of 9 members and an alternate member, as specified. That law also authorizes specified counties to appoint an alternate retired member to the office of the 8th member of the board and authorizes the alternate retired member to vote as a member of the board only in the event the 8th member is absent from a board meeting for any cause.

This bill would additionally authorize the alternate retired member to vote as a member of the board if the 8th member is present and both the 2nd and 3rd, both the 2nd and 7th, or both the 3rd and 7th members are absent for any cause.

Under CERL, except as specified, the management of a retirement system is vested in the board of retirement. CERL authorizes such a board to make regulations not inconsistent with that law, and requires that the regulations include specific provisions, including provisions for the filing of a sworn statement by every person who is or becomes a member, showing date of birth, nature and duration of employment

with the county, compensation received, and other information as is required by the board.

This bill would authorize those regulations, in lieu of a sworn statement, to provide for the submission by a member’s employer to the retirement association of the information otherwise required in a sworn statement, in a form determined by the retirement association.

~~CERL requires that a safety member who receives credit for prior employment in public service, the principal duties of which consisted of active law enforcement or active fire suppression, or active service in the Armed Forces of the United States during time of war or national emergency, have his or her pension or retirement allowance for that service calculated on the same basis as the calculation of the retirement allowance the member would receive as a safety member under certain laws relating to the retirement of safety members for service.~~

~~This bill would require instead that the allowance be calculated on the same basis as the calculation of the retirement allowance the member would receive as a safety member under the safety benefit formula in effect on the date of the member’s initial safety membership.~~

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

The people of the State of California do enact as follows:

1 SECTION 1. Section 31494.2 of the Government Code is
2 amended to read:
3 31494.2. (a) A general member whose benefits are governed
4 by Retirement Plan D may, during a period of active employment,
5 elect to change plan membership and become a member,
6 prospectively, in Retirement Plan E. The election shall be made
7 upon written application signed by the member and filed with the
8 board, pursuant to enrollment procedures and during an enrollment
9 period established by the board, which enrollment period shall not
10 occur more frequently than once every three years for that member.
11 The change in plan membership shall be effective as of the transfer
12 date, as defined in subdivision (d). Except as otherwise provided
13 in this section, the rights and obligations of a member who elects
14 to change membership under this section shall be governed by the
15 terms of this article on and after the transfer date. Prior to the
16 transfer date, the rights to retirement, survivors’, or other benefits

1 payable to a member and his or her survivors or beneficiaries shall
2 continue to be governed by Retirement Plan D.

3 (b) Except as otherwise provided in this section, effective as of
4 the transfer date, a member who has transferred to Retirement Plan
5 E pursuant to this section and his or her survivors or beneficiaries
6 shall receive retirement, survivors', and other benefits that shall
7 consist of: (1) the benefits to which they are entitled under the
8 terms of Retirement Plan E, but based on the member's service
9 credited only under that plan, and payable at the time and in the
10 manner provided under Retirement Plan E, and (2) the benefits to
11 which they would have been entitled under the terms of Retirement
12 Plan D had the member remained a member of Retirement Plan
13 D, but based on the member's service credited only under that
14 plan, and payable at the time and in the manner provided under
15 Retirement Plan D. Except as otherwise provided in this section,
16 the calculation of the member's, survivors', or beneficiaries'
17 benefits under each plan shall be subject to that plan's respective,
18 separate terms, including, but not limited to, the definitions of
19 "final compensation" and provisions establishing cost-of-living
20 adjustments, establishing minimum retirement age and service
21 requirements, and governing integration with federal social security
22 payments. Notwithstanding the foregoing, the aggregate service
23 credited under both retirement plans shall be taken into account
24 for the purpose of determining eligibility for and vesting of benefits
25 under each plan.

26 (c) Notwithstanding any other provision of Retirement Plan D
27 or Retirement Plan E:

28 (1) A member who has transferred to Retirement Plan E pursuant
29 to this section may not retire for disability and receive disability
30 retirement benefits under Retirement Plan D.

31 (2) If a member who has transferred to Retirement Plan E
32 pursuant to this section dies prior to retirement, that member's
33 survivor or beneficiary may not receive survivor or death benefits
34 under Retirement Plan D but shall receive a refund of the member's
35 contributions to Retirement Plan D together with all interest
36 credited thereto.

37 (d) As used in this section:

38 (1) "Period of active employment" means a period during which
39 the member is actively performing the duties of a full-time or
40 part-time employee position or is on any authorized paid leave of

1 absence, except a leave of absence during which the member is
2 totally disabled and is receiving, or is eligible to receive, disability
3 benefits, either during or after any elimination or qualifying period,
4 under a disability plan provided by the employer.

5 (2) "Retirement Plan D" means the contributory retirement plan
6 otherwise available to members of the system between June 1,
7 1979, and December 31, 2012, inclusive.

8 (3) "Retirement Plan E" means the noncontributory retirement
9 plan established under this article.

10 (4) "Transfer date" means the first day of the first month that
11 is at least 30 days after the date that the application is filed with
12 the board to change plan membership under subdivision (a).

13 (e) This section shall only be applicable to Los Angeles County
14 and shall not become operative until the board of supervisors of
15 that county elects, by resolution adopted by a majority vote, to
16 make this section operative in the county.

17 SEC. 2. Section 31494.5 of the Government Code is amended
18 to read:

19 31494.5. (a) A general member whose benefits are governed
20 by Retirement Plan E may, during a period of active employment,
21 elect to change plan membership and become a member,
22 prospectively, in Retirement Plan D. The election shall be made
23 upon written application signed by the member and filed with the
24 board, pursuant to enrollment procedures and during an enrollment
25 period established by the board, which enrollment period shall not
26 occur more frequently than once every three years for that member.
27 The change in plan membership shall be effective as of the transfer
28 date, as defined in subdivision (g). Except as otherwise provided
29 in this section, the rights and obligations of a member who elects
30 to change membership under this section shall be governed by the
31 terms of Retirement Plan D on and after the transfer date. Prior to
32 the transfer date, the rights to retirement, survivors', or other
33 benefits payable to a member and his or her survivors or
34 beneficiaries shall continue to be governed by Retirement Plan E.

35 (b) If a member has made the election to change plans under
36 subdivision (a), monthly contributions by the member and the
37 employer under the terms of Retirement Plan D shall commence
38 as of the transfer date. For the purposes of calculating the member's
39 contribution rate under Retirement Plan D, his or her entry age
40 shall be deemed to be his or her age at his or her birthday nearest

1 the transfer date; however, if the member exchanges service credit
2 in accordance with subdivision (c), with regard to contributions
3 made for periods after that exchange, his or her entry age shall be
4 adjusted and deemed to be the member's age at his or her birthday
5 nearest the date on which begins the most recent period of
6 unbroken service credited under Retirement Plan D, taking into
7 account service purchased under subdivision (c). In no event shall
8 the exchange of service under subdivision (c) affect the entry age
9 with respect to, or the cost of, employee contributions made, or
10 service purchased, prior to the exchange.

11 (c) (1) A general member who has elected to change plans
12 under subdivision (a) also may elect to exchange, at that time or
13 any time thereafter, but prior to the earlier of his or her application
14 for retirement, termination from employment, or death, some
15 portion designated in whole-month increments, or all of the service
16 credited under Retirement Plan E for an equivalent amount of
17 service credited under Retirement Plan D, provided, however, that
18 the member may not exchange less than 12 months' service or, if
19 less, the total service credited under Retirement Plan E. The
20 exchange shall be effective on the date when the member completes
21 the purchase of that service by depositing in the retirement fund,
22 by lump sum or regular monthly installments, over the period of
23 time determined by a resolution adopted by a majority vote of the
24 board of retirement, or both, but in any event prior to the earlier
25 of his or her death or the date that is 120 days after the effective
26 date of his or her retirement, the sum of: (1) the contributions the
27 member would have made to the retirement fund under Retirement
28 Plan D for that length of time for which the member shall receive
29 credit as service under Retirement Plan D, computed in accordance
30 with the rate of contribution applicable to the member under
31 Retirement Plan D, based upon his or her entry age, and in the
32 same manner prescribed under Retirement Plan D as if that plan
33 had been in effect during the period for which the member shall
34 receive service credit, and (2) the regular interest thereon.

35 (2) For the purposes of this subdivision, a member's entry age
36 shall be deemed to be the member's age at his or her birthday
37 nearest the date on which begins the most recent period of
38 unbroken service credited under Retirement Plan D following
39 completion of the service exchange under this subdivision. A
40 member may receive credit for a period of service under only one

1 plan and in no event shall a member receive credit for the same
2 period of service under both Retirement Plan D and Retirement
3 Plan E.

4 (3) A member who fails to complete the purchase of service as
5 required under this subdivision shall be treated as completing an
6 exchange of service under Retirement Plan E for an equivalent
7 amount of service under Retirement Plan D only with regard to
8 the service that actually has been purchased through completed
9 deposit with the retirement fund of the requisite purchase amount,
10 calculated in accordance with this subdivision.

11 (d) Except as otherwise provided in this section, effective as of
12 the transfer date, a member who has transferred to Retirement Plan
13 D pursuant to this section and his or her survivors or beneficiaries
14 shall receive retirement, disability, survivors', death, or other
15 benefits that shall consist of: (1) the benefits to which they are
16 entitled under the terms of Retirement Plan D, but based on the
17 member's service credited only under that plan, and payable at the
18 time and in the manner provided under Retirement Plan D, and
19 (2) the benefits to which they would have been entitled under the
20 terms of Retirement Plan E had the member remained a member
21 of Retirement Plan E, but based on the member's service credited
22 only under that plan, and payable at the time and in the manner
23 provided under Retirement Plan E. Except as otherwise provided
24 in this section, the calculation of the portion of a member's or
25 beneficiary's benefit that is attributable to each plan is subject to
26 that plan's respective, separate terms, including, but not limited to,
27 the definitions of "final compensation" and provisions
28 establishing cost-of-living adjustments, establishing minimum age
29 and service requirements, and governing integration with federal
30 social security payments. Notwithstanding the foregoing, the
31 aggregate service credited under both Retirement Plan D and
32 Retirement Plan E shall be taken into account for the purpose of
33 determining eligibility for, and vesting of, benefits under each
34 plan.

35 (e) Notwithstanding any other provision of Retirement Plan D
36 or Retirement Plan E, a member who transfers into Retirement
37 Plan D under this section may retire for service-connected or
38 nonservice-connected disability and receive disability benefits
39 under Retirement Plan D only if he or she has either (1) completed
40 two continuous years of active service after his or her most recent

1 transfer date, or (2) earned five years of retirement service credit
2 under Retirement Plan D after his or her most recent transfer date.
3 Notwithstanding any other provision to the contrary, a member
4 who becomes disabled and does not meet either of these conditions
5 (1) may apply for and receive only a deferred or service retirement
6 allowance, or (2) may elect to transfer prospectively back to
7 Retirement Plan E, and for the purposes of calculating his or her
8 retirement benefits under this section, shall in lieu of credit under
9 Retirement Plan D be credited with service under Retirement Plan
10 E as provided under subdivision (g) of Section 31488 during any
11 period he or she is totally disabled and is receiving, or eligible to
12 receive, disability benefits, either during or after any elimination
13 or qualifying period, under a disability plan provided by the
14 employer up to the earlier of the date he or she retires or no longer
15 qualifies for disability benefits. If a member dies before he or she
16 is eligible to retire and before completing either two continuous
17 years of active service after the transfer date into Retirement Plan
18 D or after earning five years of retirement service credit under
19 Retirement Plan D after that transfer date, that member's
20 beneficiary shall not be entitled to the survivor allowance under
21 Section 31781.1 or 31781.12, if operative.

22 (f) Notwithstanding any other provisions of Retirement Plan D
23 or Retirement Plan E, a member who has transferred to Retirement
24 Plan D pursuant to this section and who retires for disability when
25 eligible under this section and Retirement Plan D, may not also
26 retire for service and receive service retirement benefits under
27 Retirement Plan E. However, for the purpose of calculating
28 disability benefits under Retirement Plan D, the "sum to which he
29 or she would be entitled as service retirement" or his or her "service
30 retirement allowance," as those terms are used in Sections 31726,
31 31726.5, and 31727.4, shall consist of the blended benefit to which
32 the member would be entitled under subdivision (d) if he or she
33 retired for service, not just the service retirement benefit to which
34 he or she would be entitled under Retirement Plan D.

35 (g) As used in this section:

36 (1) "Active service" means time spent on active, on-the-job
37 performance of the duties of a full-time or part-time position and
38 on any authorized paid leaves of absence; provided, however, that
39 any authorized paid leave of absence or part-time service shall not
40 constitute active service if the leave of absence or part-time service

1 is necessitated by a preexisting disability, injury, or disease. The
2 board of retirement shall determine whether or not a leave of
3 absence or part-time service is necessitated by a preexisting
4 disability, injury, or disease, and thus excluded from the member's
5 active service, based upon evidence presented by the employer
6 and the member upon request by the board.

7 (2) "Entry age" means the age used for calculating the normal
8 rate of contribution to Retirement Plan D with respect to a member
9 who has transferred membership to Retirement Plan D under this
10 section.

11 (3) "Period of active employment" means a period during which
12 the member is actively performing the duties of a full-time or
13 part-time employee position or is on any authorized paid leave of
14 absence, except a leave of absence during which the member is
15 totally disabled and is receiving, or is eligible to receive, disability
16 benefits, either during or after any elimination or qualifying period,
17 under a disability plan provided by the employer.

18 (4) "Retirement Plan D" means the contributory retirement plan
19 otherwise available to members of the system between June 1,
20 1979, and December 31, 2012, inclusive.

21 (5) "Retirement Plan E" means the noncontributory retirement
22 plan established under this article.

23 (6) "Transfer date" means the first day of the first month that
24 is at least 30 days after the date that the application is filed with
25 the board to change plan membership under subdivision (a).

26 (h) This section shall only be applicable to Los Angeles County
27 and shall not become operative until the board of supervisors of
28 that county elects, by resolution adopted by a majority vote, to
29 make this section operative in the county.

30 SEC. 3. Section 31495.7 is added to the Government Code, to
31 read:

32 31495.7. Section 31835.1 applies to a member eligible to retire
33 at 55 years of age pursuant to Section 31491. This section is
34 declaratory of existing law.

35 SEC. 4. Section 31520.6 is added to the Government Code, to
36 read:

37 31520.6. Notwithstanding any provision to the contrary in
38 Section 31520.3 or 31520.5, in any county in which there is an
39 alternate retired member, if the eighth member is present, the
40 alternate retired member may also vote as a member of the board

1 in the event both the second and third, or both the second and
2 seventh, or both the third and seventh members are absent for any
3 cause.

4 SEC. 5. Section 31526 of the Government Code is amended
5 to read:

6 31526. The regulations shall include provisions:

7 (a) For the election of officers, their terms, meetings, and all
8 other matters relating to the administrative procedure of the board.

9 (b) For one of the following:

10 (1) The filing of a sworn statement by every person who is or
11 becomes a member, showing date of birth, nature and duration of
12 employment with the county, compensation received, and other
13 information as is required by the board.

14 (2) In lieu of a sworn statement, the submission by the member's
15 employer to the retirement association of the information otherwise
16 required in paragraph (1), in a form determined by the retirement
17 association.

18 (c) For forms of annuity certificates and other forms as required.

19 ~~SEC. 6. Section 31641.4 of the Government Code is amended~~
20 ~~to read:~~

21 ~~31641.4. (a) A member shall receive credit for employment~~
22 ~~in public service only for such service as he or she is not entitled~~
23 ~~to receive a pension or retirement allowance from the public~~
24 ~~agency. The service for which the member elects to contribute and~~
25 ~~the fact that no pension or retirement allowance will accrue to the~~
26 ~~member by virtue of the member's employment in that public~~
27 ~~agency shall be certified to by an officer of the public agency where~~
28 ~~he or she rendered that public service or shall be established to the~~
29 ~~satisfaction of the board.~~

30 ~~(b) Notwithstanding any other law, a safety member who~~
31 ~~receives credit for prior employment in public service, the principal~~
32 ~~duties of which consisted of active law enforcement or active fire~~
33 ~~suppression, or active service in the Armed Forces of the United~~
34 ~~States during time of war or national emergency, shall have his or~~
35 ~~her pension or retirement allowance for that service calculated on~~
36 ~~the same basis as the calculation of the retirement allowance the~~
37 ~~member would receive as a safety member under the safety benefit~~
38 ~~formula in effect on the date of the member's initial safety~~
39 ~~membership.~~


1 ~~(e) A safety member who entered the service as a peace officer~~
2 ~~prior to the establishment of the safety membership provisions in~~
3 ~~his or her county shall be considered a safety member from his or~~
4 ~~her initial hiring date, for the purposes of this section,~~
5 ~~notwithstanding any other law.~~

O



July 6, 2016

TO: Each Member
Board of Retirement

FROM: Bernie Buenaflor 
Division Manager, Benefits Division

FOR: Meeting of July 14, 2016

SUBJECT: **Application of John M. Garrisi for Reinstatement to Active Membership Pursuant to Government Code Section 31680.4 and 31680.5**

Government Code Section 31680.4 and 31680.5 permit a retired member to be re-employed by the County and reinstated as an active member of LACERA if the Board of Retirement, based upon medical examination, determines that the member is not incapacitated for the assigned duties. The member's retirement allowance would be suspended immediately upon re-employment. Reinstatement to active membership becomes effective the first day of the month following the date of re-employment. The returning member would only be eligible for a retirement plan that is currently available for the reinstated position, regardless of the member's prior retirement plan.

John M. Garrisi retired from service September 30, 2014. The County of Los Angeles now wishes to re-employ John M. Garrisi as a Principal Analyst, CEO, (Item #0830).

Under CERL 31680.5, all reinstated general members are entitled to a retirement allowance, upon subsequent retirement, "determined as if the member were first entering the system." Thus, this member is only eligible for Retirement Plan G General. Note that the member was in Plan D and E General for his past membership period and will be in Plan G General for his new membership period, if approved for reinstatement.

Attached are copies of documents prepared in support of the member's application for reinstatement:

- The July 5, 2016 statement from the Chief Executive Office confirming the Board of Supervisors' Constructive Approval of the request to re-employ the member. (Attachment 1)



Each Member, Board of Retirement
July 6, 2016
Page 2

- The Fire Department letter to LACERA dated July 5, 2016 requesting the reinstatement of the member and outlining the job duties for a Principal Analyst, CEO. (Attachment 2)
- The member's letter to LACERA dated June 29, 2016 requesting reinstatement into active membership as a Principal Analyst, CEO with the Los Angeles County Fire Department. (Attachment 3)
- The member's Medical Clearance report signed on July 5, 2016, finding the member not incapacitated for the proposed duties. (Attachment 4)
- A copy of the Class Specification for a Principal Analyst, CEO. (Attachment 5)

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD:

1. Determine, based upon medical evaluation conducted July 5, 2016, that John M. Garrisi is not incapacitated for the duties assigned to him in the position of Principal Analyst, CEO; and
2. Grant the application of John M. Garrisi for reinstatement to active membership.

REVIEWED AND APPROVED:



Robert Hill
Assistant Executive Officer

BB:bb
Div\ben\retstaff\John M. Garrisi.doc

Attachments





County of Los Angeles
CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

SACHI A. HAMAI
Chief Executive Officer

July 5, 2016

Board of Supervisors
HILDA L. SOLIS
First District

MARK RIDLEY-THOMAS
Second District

SHEILA KUEHL
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

Board's Constructive Approval

To: Manager, Claims Processing Division
Los Angeles County Employees Retirement Association
300 N. Lake Avenue
Pasadena, CA 91101

From: Sachi A. Hamai
Chief Executive Officer

Re: **John Garrisi**

To whom it may concern:

The Chief Executive Office submitted the attached memorandum to the Los Angeles County Board of Supervisors on June 13, 2016, requesting authorization to re-employ and reinstate the above-referenced retired employee.

There was no inquiry, formal action, or objections from Board offices by the two-week deadline of June 27, 2016. Therefore, in accordance with Board of Supervisors Policy 9.150, all parties should understand that the Board's constructive approval to proceed has been obtained, and the Los Angeles County Fire Department and the Los Angeles County Employee Retirement Association may proceed with associated arrangements for re-employment and reinstatement of the above-mentioned employee.

Policy 9.150

The County may hire former retired County employees to permanent positions on an indefinite basis. The Board's action provides the County with an additional management tool to fill critical, emergent or hard to fill positions which require special skills, training and experience or certification and may not be reasonably filled by other than the County retiree. Such authorizations must be approved by the Board of Supervisors. Departments are to submit a Board memo to their Chief Executive Office (CEO) budget analyst prior to filling any position on an indefinite basis with a County retiree. The memo, with CEO recommendation, will be forwarded to the Board for approval, stating that a two-week period exists for a Board member to request formal action prior to filling the position.

Manager, Claims Processing Division
July 5, 2016
Page 2

The retired employee being hired must cancel his/her retirement allowance through the Board of Retirement until termination of the new re-employment. This policy does not replace the statute which allows rehiring retired county employees temporarily for up to 120 days per fiscal year.

Retirees under the Early Separation Plan are not eligible to fill these positions without direct Board approval.

If you have any questions or need additional information, please contact me at (213) 974-1101 or Sheila Williams of my staff at (213) 974-1155.

SAH:JJ:SK:
SW:cg

Attachment

c: Fire



County of Los Angeles
CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

SACHI A. HAMAI
Chief Executive Officer

Board of Supervisors
HILDA L. SOLIS
First District

MARK RIDLEY-THOMAS
Second District

SHEILA KUEHL
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

June 13, 2016

To: Supervisor Hilda L. Solis, Chair
Supervisor Mark Ridley-Thomas
Supervisor Sheila Khuel
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: Sachi A. Hamai
Chief Executive Officer

REQUEST FROM THE FIRE DEPARTMENT FOR RE-EMPLOYMENT OF A RETIRED COUNTY EMPLOYEE

Consistent with existing County policy, which allows the re-employment of retired County employees on an indefinite basis, the Fire Department requests approval to re-employ and reinstate County retiree, John Garrisi, pursuant to CSR 17.01(a), to a Principal Analyst, CEO at a monthly salary of \$11,942.18. Mr. Garrisi has been advised that upon his return to County employment, his Los Angeles County Retirement Association (LACERA) retirement allowance will be suspended until termination of his re-employment.

Upon re-employment, Mr. Garrisi will be providing vital employee relations services to the Fire Department, consistent with the skill set, experience and expertise of a Principal Analyst. There is no one in the Department that has the required experience and expertise that has been demonstrated to be possessed by John Garrisi.

This office concurs with the Fire Department's request and, unless otherwise instructed by June 27, 2016, we will authorize the Fire Department to proceed with this action.

If you have questions or need additional information, please contact me, or your staff may contact Sheila Williams, at (213) 974-1155 or swilliams@ceo.lacounty.gov.

SAH:JJ
SW:MI:kd

c: Executive Office, Board of Supervisors
Fire Department

U:\chron 2016\Budget\Re-employment - Fire

Attachment 1

3 of 3



COUNTY OF LOS ANGELES

FIRE DEPARTMENT

1320 NORTH EASTERN AVENUE
LOS ANGELES, CALIFORNIA 90063-3294

DARYL L. OSBY
FIRE CHIEF
FORESTER & FIRE WARDEN

July 5, 2016

Bernardo Buenafior
Benefits Division Manager
Benefits Division
P.O. Box 7060
Pasadena, CA 91109

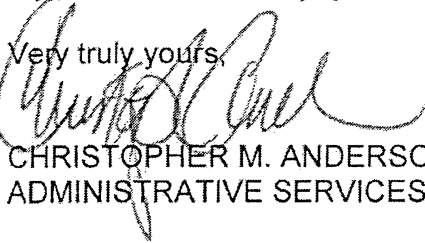
Dear Mr. Buenafior:

John Garrisi, 448572, Social Security Number ending retired on September 30, 2014.

The Fire Department (Department) would like to re-employ Mr. Garrisi as a permanent Principal Analyst, CEO, in accordance with Government Code Section 31680.4. We have secured all the necessary approvals from the Chief Executive Office and the Board of Supervisors to rehire Mr. Garrisi. The approved documents are enclosed.

Mr. Garrisi has special knowledge in which he will be providing vital employee relations services to the Department consistent with the skill set, experience, and expertise of a Principal Analyst, CEO. He has been very beneficial in resolving various issues with labor, such as ongoing fire fighter investigation/disciplinary action, payroll issues, etc. There is no one in the Department that has the required experience and expertise that has been demonstrated to be possessed by Mr. Garrisi.

If you should have any questions, please contact me at (323) 881-2426.

Very truly yours,


CHRISTOPHER M. ANDERSON, DEPUTY CHIEF
ADMINISTRATIVE SERVICES BUREAU

CMA:km

Attachment 2

Enclosures

SERVING THE UNINCORPORATED AREAS OF LOS ANGELES COUNTY AND THE CITIES OF:

AGOURA HILLS	BRADBURY	CUDAHY	HAWTHORNE	LA HABRA	LYNWOOD	PICO RIVERA	SIGNAL HILL
ARTESIA	CALABASAS	DIAMOND BAR	HIDDEN HILLS	LA MIRADA	MALIBU	POMONA	SOUTH EL MONTE
AZUSA	CARSON	DUARTE	HUNTINGTON PARK	LA PUENTE	MAYWOOD	RANCHO PALOS VERDES	SOUTH GATE
BALDWIN PARK	CERRITOS	EL MONTE	INDUSTRY	LAKEWOOD	NORWALK	ROLLING HILLS	TEMPLE CITY
BELL	CLAREMONT	GARDENA	INGLEWOOD	LANCASTER	PALMDALE	ROLLING HILLS ESTATES	WALNUT
BELL GARDENS	COMMERCE	GLENDORA	IRWINDALE	LAWDALE	PALOS VERDES ESTATES	ROSEMEAD	WEST HOLLYWOOD
BELLFLOWER	COVINA	HAWAIIAN GARDENS	LA CANADA-FLINTRIDGE	LOMITA	PARAMOUNT	SAN DIMAS	WESTLAKE VILLAGE
						SANTA CLARITA	WHITTIER

John M. Garrisi

Employee No: 448572

June 29, 2016

LACERA

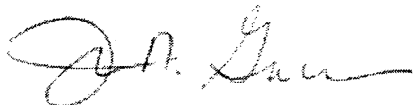
Manager, Benefits Division

Sent via fax: (626) 564 6155

- I wish to be re-employed as a permanent employee. This letter is to request that my monthly retirement benefit be suspended and that I be re-employed as a Principal Analyst, CEO, with the Fire Department pursuant to Government Code Section 31680.4.

My medical evaluation stating that I am not incapacitated for the duties is being scheduled by the Fire Department, and the results will be sent directly to LACERA.

Thank you,



John M. Garrisi

Attachment 3

Board of Retirement
August 13, 2015

ATTACHMENT 1: 3 PAGES

**REEMPLOYMENT AND REINSTATEMENT TO ACTIVE LACERA
MEMBERSHIP**

SECTION C-MEDICAL AFFIDAVIT PURSUANT TO CERL SECTION 31680.4 or 31680.8

On July 5, 2016, I, the undersigned, conducted or oversaw the
<date of medical examination>.

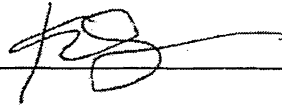
medical examination of John Carrisi
<Name of Retiree>

pursuant to Section 31680.4 or 31680.8 of the County Employees Retirement Law, in connection with
this Retiree's application to be re-employed as:

Principal Analyst CEO
<Prospective Job Title>.

I have also reviewed the Class Specification for this position. Based on this examination, I find that this
individual is not incapacitated for the duties assigned to this position. A copy of the medical
examination report is retained at Los Angeles County's Occupational Health Programs.

Signature of Physician performing or overseeing medical examination:



Print Name and Title of Physician: Ken Carrigan, M.D.

JUL 05 2016

Date Signed:



**Los Angeles County
Chief Executive Office**

***Class Specification:* PRINCIPAL ANALYST, CEO**

ITEM NUMBER: 0830

APPROVAL DATE: 06/30/2011

DEFINITION:

Under the general direction of a CEO manager, assists the CEO to manage the County's administrative and financial affairs.

CLASSIFICATION STANDARDS:

Positions in this class provide expert professional staff support to the CEO in the planning, coordination, direction and control of specialized County functions such as the County budget, finance, operations, capital projects, legislative analysis, organization and management studies, employee relations, classification and compensation policy, risk management, marketing, asset management, and unincorporated area services functions. Employees in this position may provide supervision to a team of analysts or serve in a lead, project manager or consultant role for any assignment in one or more of the above fields of specialization. The employee must know and expertly apply a comprehensive knowledge of concepts, practices and procedures to complete complex assignments or know and proficiently apply a broad knowledge of concepts, practices and procedures to complete difficult assignments and apply a basic knowledge of the concepts, practices and procedures of other field(s) of specialization to complete interdisciplinary assignments. The employee plans, conducts and supervises major assignments and reviews and evaluates results, on own initiative recommends new policies or programs to meet unforeseen or unmet needs, operates with substantial latitude for unreviewed action or decision, and performs administrative tasks for the organization on behalf of the unit manager.

EXAMPLES OF DUTIES:

(Depending on the area of assignment, duties may include, but are not limited to, the following)

Analyzes budget requests for the largest departments, prepares recommendations for proposed expenditures, and recommends changed allowances and budget adjustments during the fiscal year.

Evaluates and recommends CEO position on contracts, policy changes and other actions referred by the Board or requested by departments to be approved by the Board of Supervisors.

Analyzes proposed legislation to determine the effect on County operations, costs and revenue and recommends legislative positions, including amendments to adjust

legislation to County needs.

Negotiates and administers memoranda of understanding with County employee unions, serves as County advocate in arbitration, fact finding or mediation, provides guidance to departmental employee relations personnel and develops recommendations to be incorporated into the proposed County bargaining position for Board consideration.

Analyzes and recommends salaries and employee benefits and related policies to recruit and retain qualified employees at reasonable cost, designs pay and benefit programs to reduce costs while preserving value for employees and develops pay or benefit recommendations to be incorporated into the proposed County bargaining position for Board consideration.

Communicates recommendations verbally or in writing to obtain the concurrence of management, the Board, departments, labor organizations or other entities, and on behalf of the CEO negotiates recommendations with these groups.

Conducts management audits, organization and policy reviews, system and procedures, records management, productivity, asset management and risk management studies, and pay and benefit surveys.

Supervises or leads a team of analysts in the planning, coordination, direction and control of specialized County functions or large scale surveys or studies, directing research, or analytical and report writing tasks.

Travels from office to other locations to conduct investigations, meet with department officials and other persons concerning work in progress and participate in conferences.

Researches and develops resolution to issues raised in correspondence received by the CEO or referred by the Board of Supervisors.

Interprets County policies and procedures to assigned departments, labor organizations or other entities and recommends variances or changes when needed to meet operational needs or comply with provisions of law.

MINIMUM REQUIREMENTS:

TRAINING AND EXPERIENCE:

OPTION 1

Eight years progressively responsible professional experience in analyzing and recommending solutions to problems in areas such as budget, finance, operations, classification, compensation, capital projects, legislative policy, organization and management, employee relations, compensation, risk management, marketing, asset management, or unincorporated area services.

OPTION 2

One year of experience at the level of Senior Analyst, CEO or higher.

LICENSE:

A valid California Class C Driver License or the ability to utilize an alternative method of transportation when needed to carry out job-related essential functions.

PHYSICAL CLASS:

2- Light.

COMMENTS:

Title change effective November 13, 2007 FROM: Principal Analyst, CAO TO: Principal Analyst, CEO.

June 27, 2016

TO: Each Member,
Board of Retirement

FROM: Steven P. Rice *SPR*
Chief Counsel

FOR: July 14, 2016 Board of Retirement Meeting

SUBJECT: **Collection Services MOU with County of Los Angeles Treasurer and Tax Collector**

RECOMMENDATION

That the Board of Retirement approve, and direct the Chief Executive Officer to execute and staff to implement, the proposed Restated Memorandum of Understanding between the County of Los Angeles Treasurer and Tax Collector (TTC) and LACERA for the Provision of Collection Services (Restated MOU) attached as Attachment A.

BACKGROUND

In December 2009, the TTC and LACERA entered into an MOU for collection services. The 2009 MOU served LACERA well. At its meeting on June 11, 2015, the Board of Retirement approved a new Policy for the Recovery of Member Overpayments and Underpayments (Recovery Policy). A copy of the Recovery Policy is attached as Attachment B. The 2015 Recovery Policy made changes to LACERA's collection procedures that in turn required revision of the 2009 MOU. Among other things, the Board's action anticipated "greater utilization of the County Treasurer [and] Tax Collector." (Minutes of 6/11/15 BOR Meeting, Item VII.B(3), at pp. 6-7.)

In seeking approval of the 2015 Recovery Policy, staff stated that, "If approved by the Board, staff will, within 60 days after approval, work with the Treasurer [and] Tax Collector's office to amend the language in the current memorandum of understanding for services, or draft a new agreement, if necessary" (5/22/15 Memorandum from OOC to BOR re Proposed Changes to Board of Retirement's Overpayment Policy, at p. 6.) Given the availability of TTC and LACERA staff, the process of generating a mutually agreeable Restated MOU took longer than expected.

Email and phone discussions began shortly after the June 11, 2015 Board action. On August 19, 2015, LACERA personnel, including representatives of the Executive Office and the Financial and Accounting Services and Legal Divisions, attended a meeting with TTC employees at the TTC's offices. The meeting was successful in outlining the parameters of the parties' revised relationship. Soon after the August 19, 2015 meeting, LACERA forwarded to the TTC a draft of the Restated MOU. There ensued a process

Each Member, Board of Retirement

June 27, 2016

Re: Collection Services MOU with Los Angeles County Treasurer and Tax Collector

Page 2

of negotiation and exchange of drafts which led to the document now presented to this Committee for review.

The matter was agendaized for the June 9, 2016 Operations Oversight Committee meeting for discussion of a recommendation to the Board. However, a quorum was not present. With the permission of the Committee's Vice Chair, Mr. Chery (the Chair, Mr. Kelly, having recused himself from discussion or action on this item), the matter is now advanced to the Board.

DISCUSSION

The Restated MOU includes the following principal changes from the 2009 MOU which are necessary to address the new terms of the 2015 Recovery Policy and to clarify the terms of the agreement:

Statutes of Limitation. To provide the TTC with information necessary to handle referred claims, the Restated MOU adds a summary of the applicable limitations periods and a brief description of the circumstances under which they apply. (Restated MOU, Section 1.1, at p. 3.)

Referral Process. The Restated MOU describes the referral process and procedures in greater detail than the 2009 MOU. Specifically, Delinquent Accounts will be referred to the TTC following reasonable collection efforts by LACERA. Delinquent Accounts are identified as both Member and Non-Member accounts. (Restated MOU, Sections 1.0 and 1.1, at p. 3.) The Restated MOU lists the TTC account numbers for various categories of Delinquent Account referrals, including Members, Non-Members, and Small Claims Court Referrals, to facilitate communication and the tracking of matters and funds. The Restated MOU sets forth specific collection procedures that the TTC may employ, including mailing of bills and notices, telephoning, and filing Small Claims Court cases, as well as referral to an outside collection agency (OCA). (Restated MOU, Sections 5.1.5, 5.1.6, and 5.1.7, at pp. 6-7.)

Special Circumstances. The Restated MOU adds clarifying detail concerning the handling of special circumstance situations, including bankruptcies, deceased parties, where LACERA decides to stop collection, and NSF checks. (Restated MOU, Sections 5.5.2-5.5.5, at pp. 9-10.)

Fees. The Restated MOU leaves the TTC's commission unchanged from the 2009 MOU at 27% and revises OCA fees to 14% for secondary collection and 33% for the more difficult tertiary collection. OCA fees were a flat 25% in the 2009 MOU. OCA fees are subject to adjustment in the future based upon changes in the TTC's contract awards to its OCAs. (Restated MOU, Exhibit III, at p. 17.)

Each Member, Board of Retirement

June 27, 2016

Re: Collection Services MOU with Los Angeles County Treasurer and Tax Collector

Page 3

Technical. The Restated MOU includes numerous technical changes to clarify the language and intent of the document.

LACERA staff believes these changes, as well as the Restated MOU as a whole, are in LACERA's interest.

Finally, the Board's motion approving the 2015 Recovery Policy provided for a report to be made in one year, i.e., in June 2016, pertaining to the use of Small Claims Court. In that the Restated MOU is just now being submitted for Board approval, the requested report will be provided at a future date when a meaningful amount of data has been collected under the new MOU.

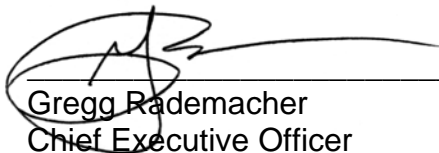
CONCLUSION

For these reasons, **it is recommended:**

That the Board of Retirement approve, and direct the Chief Executive Officer to execute and staff to implement, the proposed Restated Memorandum of Understanding between the County of Los Angeles Treasurer and Tax Collector (TTC) and LACERA for the Provision of Collection Services.

SPR:dd

Reviewed and Approved



Gregg Rademacher
Chief Executive Officer

c: Gregg Rademacher
Robert Hill
John Popowich
Beulah Auten
Ted Granger
Michael Herrera

Attachment A
Proposed LACERA/TTC MOU



COUNTY OF LOS ANGELES TREASURER AND TAX COLLECTOR

**MEMORANDUM OF UNDERSTANDING
BETWEEN
COUNTY OF LOS ANGELES
TREASURER AND TAX COLLECTOR
AND
LOS ANGELES COUNTY EMPLOYEES
RETIREMENT ASSOCIATION
FOR THE PROVISION
OF
COLLECTION SERVICES**

RESTATED

_____ 2016

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EXHIBITS

- I** **AGREEMENT ADMINISTRATION**

- II** **TTC SAMPLE REFERRAL AND ADJUSTMENT FORMS**
 - IIA..... Sample Collection Referral Transmittal Form
 - IIB..... Sample Collection Referral Form
 - IIC..... Sample Credit/Debit Memo Transmittal Form
 - IID.....Sample Credit/Debit Memo

- III** **PRICING SCHEDULE**

- IV** **COLLECTION DETAIL REPORT**

1.0 PURPOSE

This Memorandum of Understanding (MOU) or "Agreement" is entered into between the Treasurer and Tax Collector (TTC) and Los Angeles County Employees Retirement Association (LACERA).

The purpose of this Agreement is for the TTC to provide collection services for Delinquent Accounts. "Delinquent Accounts" is defined as amounts due to LACERA on both Non-Member and Member accounts referred to the TTC for collection under the terms of this Agreement, including, but not limited to, cases involving: Members, such as active and inactive employees, and retirees; Non-Members such as beneficiaries, survivors; and third parties such as trusts, estates and third party beneficiaries.

1.1 Overview of Services

LACERA will refer Delinquent Accounts to the TTC following reasonable collection efforts by LACERA. Delinquent Accounts will be subject to applicable statutes of limitation, including:

- 1.1.1 Actions against Members and Non-Members to recover erroneous overpayments to a Member or beneficiary are subject to a three (3) year statute of limitations commencing from the date of the payment pursuant to California Government Code Section 31540(b)(1).
- 1.1.2 Actions against Members and Non-Members to recover payments which are erroneous because of the death of a retired member or beneficiary or because of the marriage of the beneficiary are subject to a ten (10) year statute of limitations commencing from discovery pursuant to California Government Code Section 31540(c).
- 1.1.3 Actions against Members and Non-Members to recover payments which have been made as a result of fraudulent reports for compensation made, or caused to be made, by a Member for his or her own benefit are subject to a ten (10) year statute of limitations commencing from the date of payment or upon discovery of the fraudulent reporting, which date is later.
- 1.1.4 Actions against Members and Non-Members to recover underpayments of amounts due from or on account of a Member are subject to a three (3) year statute of limitations commencing from the date of discovery pursuant to Section 338 (d) of the California Code of Civil Procedure.

Authority to write off accounts shall rest solely with LACERA.

Subsequent to receipt of Delinquent Accounts, see Exhibit IIA, "Collection Referral Transmittal Form" and Exhibit IIB, "Collection Referral Form" from LACERA, the TTC will generate collection letters, make collection calls, and when necessary conduct skip tracing activities. Where warranted and if cost effective, legal action may be taken. Once generated, computerized letters will be mailed by the TTC to individuals owing Delinquent Accounts. Payments, as a result of the letters, may be made in person to the TTC or to LACERA. The TTC also may transfer accounts to an outside collection agency (OCA). The TTC may also receive payments by mail or through an OCA. The TTC and LACERA will exchange payment data with each other in order for each department to update their respective systems.

2.0 TERM

- 2.1 This Agreement shall become effective immediately upon execution by the TTC and LACERA and replace in its entirety the existing Collections MOU executed on December 28, 2009.
- 2.2 This Agreement will be renewed automatically for subsequent Fiscal Years, beginning every July 1; however, either party may terminate this Agreement at any time upon thirty (30) calendar days prior written notice to the other.

3.0 ADMINISTRATION

3.1 TTC

The TTC's Agreement Administrator is responsible for the overall management and coordination of the performance of Services provided under this Agreement and will interface with LACERA'S Agreement Administrator. The TTC's Agreement Administrator is identified in Section A of Exhibit I, "Agreement Administration." The TTC will notify LACERA in writing within five (5) business days of any changes to TTC staff identified on Exhibit I.

3.2 LACERA

LACERA'S Agreement Manager identified in Section B of Exhibit I will provide overall management. LACERA's Agreement Administrator will provide coordination of the Services to be provided by the TTC, and will interface with the TTC's Agreement Administrator. LACERA will notify the TTC in writing within five (5) business days of any changes to LACERA staff identified on Exhibit I.

4.0 RESPONSIBILITIES

4.1 TTC

The TTC shall be responsible for taking collection action on all referred Delinquent Accounts. The TTC shall accept payments in person, by mail or through an OCA. The TTC shall report payment activity information to LACERA via the transmittal process as shown in Exhibit IV, "Collection Detail Report" on a monthly basis.

The TTC shall be responsible for transferring monies collected, net of any adjustments and cost/commission into LACERA's electronic Countywide Accounting and Purchasing System (eCAPS) account monthly through a Journal Voucher.

4.2 LACERA

LACERA shall be responsible for sending the TTC the required collection information and Delinquent Account activity semi-monthly, including account adjustments made to active Delinquent Accounts. LACERA shall accept payments on Delinquent Accounts referred to the TTC and then report such payments to the TTC semi-monthly. LACERA shall report payment activity information to the TTC via Exhibit IIC, "Credit/Debit Memo Transmittal Memo" and Exhibit IID, "Credit/Debit Memo." LACERA shall be responsible for issuing refunds to Delinquent Accounts for overpayments, as appropriate.

5.0 PROCESSES

5.1 Referral Process

5.1.1 Delinquent Accounts will become eligible for collections when the total money owed by the Delinquent Account is \$100 or more. Delinquent Accounts eligible for collections also include all dishonored negotiable paper (e.g., "Non Sufficient Funds" (NSF) checks), regardless of amount, that LACERA has made a reasonable attempt to collect.

5.1.2 LACERA staff will identify eligible Delinquent Accounts for collection status as defined as Delinquent Accounts that are not under any restrictions, e.g., litigation or liens or eligible for offset.

5.1.3 LACERA staff will provide Delinquent Accounts after sixty (60) calendar days from date of discovery.

5.1.4 LACERA staff will limit referrals to no more than one hundred (100) per month. If the volume of Delinquent Accounts exceeds one

hundred (100) per month, LACERA shall submit referrals electronically.

In the event that electronic transfer is to be established, both parties shall negotiate appropriate setup and ongoing costs.

- 5.1.5 The TTC shall establish and utilize three separate and unique client account numbers for Delinquent Accounts, which includes Non-Members (Client #79287); Members (Client #79292); and Small Claims Court Referral (Client #79293). In making a referral to the TTC, LACERA will clearly advise the TTC in writing as to which client account number should be used for each Delinquent Account.
- 5.1.6 The TTC may employ specialized collection procedures to pursue collection of Delinquent Accounts on behalf of LACERA, which includes, but is not limited to, one or a combination of the following:
- a. Mailing billings and notices, T-Bill(s) or TTC collection bill(s);
 - b. Telephoning;
 - c. Filing cases in small claims court utilizing appropriate TTC staff, but only after advanced notice to LACERA of at least seven (7) calendar days, during which time LACERA may provide additional instruction to the TTC with regard to whether a small claims action should proceed and/or the timing of when a small claims action should be filed.

Pursuant to its Policy for Recovery of Member Overpayments and Underpayments, LACERA may also refer Delinquent Accounts to the TTC to pursue directly in small claims court utilizing appropriate TTC staff following a demand letter by the TTC. Using the Collections Referral Form, LACERA shall clearly indicate the Client Number as "79293" in the "Department I.D. Number" field and "Small Claims Court Referral" in the "Special Instructions" field when referring Delinquent Accounts to the TTC for small claims.

Successful collection by the TTC utilizing one or a combination of any of these specialized collection procedures, including small claims court cases initiated on its own or via a Small Claims Court Referral, is subject to the same commission as set forth in Section 8.0 of the Agreement, and the Pricing Schedule attached thereto as Exhibit III.

- 5.1.7 At the TTC's discretion, Delinquent Accounts may be referred to an OCA. Neither the TTC nor the OCA will report Delinquent Accounts to credit reporting agencies.

5.2 Updates for Payments Collected by Treasurer and Tax Collector

- 5.2.1 The TTC shall send payment notification to LACERA on a monthly basis upon the TTC's receipt of a payment on a Delinquent Account and/or a payment from OCA.
- 5.2.2 The OCA holds collections it receives for ten (10) business days to ensure the check clears prior to remitting the collected amount (net of commission) to the TTC. The OCA sends the TTC a payment file at least once a week (usually Friday), and on the last business day of each month.
- 5.2.3 LACERA staff will reconcile and update the payment information reported by the TTC including any credit balances. LACERA will process any applicable refunds for Delinquent Accounts and adjust the credit balance by notifying the TTC via "Credit/Debit Memo."

5.3 Transfer of Monies Collected

- 5.3.1 Monies collected, net of any applicable adjustments, by the TTC will be transferred to LACERA on a monthly basis, via Journal Voucher, retaining its commission as shown in Exhibit III, "Pricing Schedule" from the total funds collected.

When Delinquent Accounts are sent to the OCA, the OCA retains its commission as shown in Exhibit III, "Pricing Schedule," and remits the net to the TTC. The TTC would then transfer the net funds to LACERA in the same manner with no further deductions.

- 5.3.1.1 The OCA applies its commission to the total funds collected per Delinquent Account regardless of who collects the funds. Therefore, if the TTC or LACERA receive any payment on a Delinquent Account that has been referred to the OCA, the OCA's commission will be applied.
- 5.3.2 For payments received directly by LACERA on Delinquent Accounts already referred to TTC or OCA, LACERA shall notify the TTC of such payments via Exhibit IIC, "Credit/Debit Memo Transmittal Form" and Exhibit IID, "Credit/Debit Memo." When monies are transferred to LACERA by the TTC in the subsequent month, the TTC shall deduct the commission (as shown in Exhibit III, Pricing Schedule) on the collected amount and transfer the net collections via a Journal Voucher. In the event there was no collection made to the Delinquent Account, LACERA will transfer the commission owed to the TTC trust fund, through a Journal Voucher. The TTC will notify LACERA of the amount of the commission to be transferred to the TTC.

5.4 Uncollected Accounts

5.4.1 Accounts Referred to the TTC

5.4.1.1 Delinquent Accounts returned from OCA as uncollected will be returned to LACERA.

5.4.1.2 LACERA staff will continue to send any credit information to the TTC for referred Delinquent Accounts that have not been returned to LACERA.

5.5 Additional Processes

5.5.1 Payment Plan/Reduction of Liability

The TTC may deem it prudent to exercise its right to: 1) establish a payment plan; and/or 2) with LACERA's consent, reduce the debt owed.

5.5.2 Bankruptcies

5.5.2.1 If LACERA staff receives proof of bankruptcy for a responsible party named on a Delinquent Account, LACERA will send proof to the TTC. If the Delinquent Account was discharged, LACERA will send a credit memo requesting the Delinquent Account be returned/closed.

5.5.2.2 If the Delinquent Account is discharged, the TTC will close and return to LACERA referred Delinquent Accounts coded with "bankruptcy filing" when a responsible party named on a Delinquent Account brings proof of bankruptcy to the TTC or when the OCA returns the account to the TTC and provides proof of bankruptcy.

5.5.3 Accounts of Deceased Delinquent Accounts

5.5.3.1 If LACERA staff receives proof that a responsible party named on a Delinquent Account is deceased, LACERA will send proof to the TTC. The TTC will attempt to identify the trustee/other responsible party and try to collect from them before closing any case related to the deceased responsible party named on the Delinquent Account.

5.5.3.2 If the TTC is unable to collect the Delinquent Account from the trustee/other responsible party, the TTC will close referred Delinquent Accounts with "WOD" (write-off code for deceased).

5.5.4 Canceling a Delinquent Account

If LACERA administratively determines to stop collection efforts, even if the balance has not been paid, LACERA will submit Exhibit IIC, "Credit/Debit Memo Transmittal Form" and Exhibit IID, "Credit/Debit Memo" with appropriate notification and documentation. Upon receipt of such Credit/Debit Memo Transmittal Form, the TTC will thereafter cease further collection efforts on the Delinquent Account(s) identified therein.

5.5.5 NSF Checks

5.5.5.1 If the TTC receives an NSF check for a Delinquent Account, the TTC will cancel the original payment transaction to add the amount of the NSF check to the outstanding balance and will add the County's approved NSF fee (see Exhibit III) to the balance of the Delinquent Account.

5.5.5.2 If the TTC closes an account because a Delinquent Account has been paid in full and subsequently the TTC discovers that payment was made using an NSF check, the TTC will reopen the account by cancelling the payment to put back the amount owing, and add the NSF fee to the account balance.

5.5.5.3 For Delinquent Accounts that include the NSF fee, the TTC shall retain the NSF fee.

5.5.5.4 If a Delinquent Account has been closed by the TTC because LACERA reports that payment has been made in full and subsequently, LACERA discovers that payment was made using an NSF check, LACERA shall make a new referral to the TTC using the procedures outlined in Section 5.1, Referral Process. The new Delinquent Account referral will receive a new account number.

6.0 CHANGES AND AMENDMENTS

For any revisions to this Agreement, a negotiated Amendment shall be executed by the TTC, or his/her designee, and by LACERA, or his/her designee.

7.0 COST

7.1 The TTC will retain a commission (i.e., a percent of the total funds collected) on a monthly basis in accordance with Exhibit III, "Pricing Schedule."

- 7.2 For accounts referred to the OCA, the OCA's commission rate as shown in Exhibit III, "Pricing Schedule" shall apply to the total gross collected, which the OCA shall retain and remit the net to the TTC.
- 7.3 In the event an electronic automated system is established for Delinquent Account referrals, the TTC and LACERA shall negotiate the necessary onetime set up cost and agree with ongoing costs.
- 7.4 Direct Payments Received by LACERA
- 7.4.1 For payments received by LACERA on Delinquent Accounts already referred to the TTC or the OCA, LACERA shall notify the TTC of such payments via Exhibit IIC and IID. When monies are transferred to LACERA by the TTC in the subsequent month, the TTC shall deduct the commission (as shown in Exhibit III) on the collected amount and transfer the net collections via a Journal Voucher. In the event there was no collection made to offset the commission, LACERA will transfer the commission owed to the TTC through a Journal Voucher. The TTC will notify LACERA of the amount of the commission to be transferred to the TTC.
- 7.5 The TTC shall provide services as described herein and at the cost set forth in Exhibit III.
- 7.6 Periodic reviews will be made, as necessary, to more accurately reflect changes in volume, collection procedures, and cost associated with services provided. The TTC shall notify LACERA approximately six months prior to a change in cost, which will become effective the following fiscal year. Any cost adjustments will be made in accordance with Section 6.0, Changes and Amendments.
- 7.7 The TTC will perform subsequent reviews to reflect changes in costs associated with services provided. If the review results in a change in the costs, a negotiated Amendment to the Agreement shall be executed by the TTC, and LACERA, in accordance with Section 6.0, Changes and Amendments.

8.0 INVOICING AND PAYMENT

On a monthly basis, and in accordance with Exhibit III, the TTC shall retain a percentage of the total funds collected through collection efforts.

9.0 NOTICES

- 9.1 Any notice desired or required to be given to the TTC under the terms of this Agreement shall be directed to the Agreement Administrator identified in Section A of Exhibit I, "Agreement Administration."
- 9.2 Any notice desired or required to be given to LACERA under the terms of this Agreement shall be directed to Agreement Manager identified in Section B of Exhibit I, "Agreement Administration."

10.0 NOTICES OF DELAY

If either department has knowledge that any actual or potential situation will delay or threaten to delay the timely performance of services under this Agreement, the department staff identified on Exhibit I, should notify via telephone the other department staff identified on Exhibit I. Notification may be followed up via e-mail or in writing if requested.

11.0 INDEMNIFICATION

The TTC agrees to indemnify, defend, save, and hold harmless LACERA and its officers, trustees, and employees (collectively, "Covered Persons") from and against any and all liabilities, losses, injuries, suits, costs, charges, judgments, fines, penalties, expenses (including defense costs and attorneys' fees) and claims for damages of any nature whatsoever, arising out of, related to, or in connection with any negligent act or omission by or on behalf of the TTC with respect to the performance of the TTC's obligations under this Agreement.

Covered Persons shall give the TTC prompt notice of any claim for which Covered Persons are entitled to indemnification, and the TTC shall control the defense or settlement thereof; provided, no such settlement or compromise shall be entered into unless, as part of such settlement or compromise, the third party executes a full and complete release of Covered Persons without recourse to any Covered Persons for any amount, claim or other obligation whatsoever respecting such claim. The TTC shall have no right to settle or compromise any such claim without the consent of Covered Persons, which consent can be withheld for any reason or no reason, if such settlement or compromise involves the issuance of injunctive or other non-monetary relief binding upon Covered Persons or a plea of guilty or *nolo contendere* on the part of Covered Persons in any criminal or quasi-criminal proceeding, or which involves any admission of liability or culpability on the part of Covered Persons, or which has any collateral estoppel effect on Covered Persons.

IN WITNESS WHEREOF, the TTC and LACERA have caused this Agreement to be signed, this _____ day of _____, 2016.

SERVICE DEPARTMENT:

TREASURER AND TAX COLLECTOR

By: Joseph Kelly
Print Name

Signature

Title: Treasurer and Tax Collector

REQUESTING DEPARTMENT:

**LOS ANGELES COUNTY
EMPLOYEES RETIREMENT
ASSOCIATION**

By: Gregg Rademacher
Print Name

Signature

Title: CEO

APPROVED AS TO FORM:

APPROVED AS TO FORM:

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

AGREEMENT ADMINISTRATION

A. TTC STAFF

Title	Name	Phone/Fax Numbers	E-mail
Agreement Administrator	Bruce Robert	(213) 893-7968	brobert@ttc.lacounty.gov
Alternate Agreement Administrator	Hamlet Panosian	(213) 974-0782	hpanosian@ttc.lacounty.gov
Account Balances	<p>Questions regarding specific account balances may be made by LACERA Staff Monday through Friday from 8:00 a.m. Pacific Time (PT) to 5:00 p.m. PT excluding holidays to:</p> <p>Linda Ramos (Primary) Hamlet Panosian (Alternate)</p>	<p>(213) 974-2430 (213) 974-0782</p>	<p>lramos@ttc.lacounty.gov hpanosian@ttc.lacounty.gov</p>

B. LACERA STAFF

Title	Name	Phone/Fax Numbers	E-mail
Agreement Manager	Beulah Auten	(626)564-6000 Ext. 3475	bauten@lacera.com
Alternate Agreement Manager	Ted Granger	(626) 564-6000 Ext. 3524	tgranger@lacera.com
Agreement Administrator	Susana Seeckts	(626) 564-6000 Ext. 3574	sseeckts@lacera.com
Alternate Agreement Administrator	Gloria Harriel	(626) 564-6000 Ext. 3488	gharriel@lacera.com

TTC SAMPLE REFERRAL AND ADJUSTMENT FORMS

- IIA SAMPLE COLLECTION REFERRAL TRANSMITTAL FORM
- IIB SAMPLE COLLECTION REFERRAL FORM
- IIC SAMPLE CREDIT/DEBIT MEMO TRANSMITTAL FORM
- IID SAMPLE CREDIT/DEBIT MEMO

DRAFT

PRICING SCHEDULE

ONGOING COST (ANNUAL)

- | | |
|-------------------------------|--|
| 1. TTC Collection Cost | 27% of total funds collected; |
| 2. OCA Collection Fees | 14% (secondary collection) or 33% (tertiary collection) of any payments received regardless of who received the payment, after TTC refers the account to the OCA. Reflects current contracts effective January 1, 2012; adjustments contingent upon future contract awards. |

Attachment B
Recovery Policy



**BOARD OF RETIREMENT
POLICY FOR THE RECOVERY OF
MEMBER OVERPAYMENTS AND UNDERPAYMENTS**

The Board of Retirement adopts this policy to ensure the continued proper and timely collection of monies owed to LACERA by or on behalf of a member, including, but not limited to a beneficiary or survivor, as a result of incorrect payments into or out of the retirement system. It is the intent of the Board of Retirement in adopting this policy to fulfill its fiduciary duty to safeguard fund assets by making every reasonable effort to recover all member overpayments, underpayments and appropriate interest thereon.

A. The following threshold limits shall apply to the collection of erroneous payments of erroneous payments into (underpayments) and out of (overpayments) the retirement system.

1. For principal amounts less than \$100, the Chief Executive Officer ("CEO") may make no demand for principal or interest and write off the account, or take such other action the CEO deems reasonable and appropriate.
2. For principal amounts between \$100 and \$1,000, the CEO is authorized, after informal collection efforts (such as verbal and written staff requests for payment) have been completed, to refer the matter to the County of Los Angeles Treasurer Tax Collector, write off the amount of the principal and interest, in whole or in part, or take such other action as the CEO deems reasonable and appropriate. Formal litigation will normally not be commenced as the costs of filing and prosecuting the case would likely exceed the amount that could be recovered.
3. For principal amounts between \$1,001 and \$10,000 the CEO has discretion, after informal collection efforts (such as verbal and written staff requests for payment) have been completed and consultation as necessary with the Legal Office and other staff to determine likelihood of recovery, to pursue recovery of principal and interest in small claims court, refer the matter to the County of Los Angeles Treasurer Tax Collector, commence formal litigation, write off the amount, in whole or in part, or take such other action as the CEO deems reasonable and appropriate.
4. For principal amounts over \$10,000, the CEO is required, after informal collection efforts (such as verbal and written staff requests for payment) have been completed and consultation as necessary with the Legal Office and other staff to determine likelihood of recovery, to seek Board approval to commence formal litigation to recover the principal and interest, write off the account, in whole or in part, or to take such other action as the board deems reasonable and appropriate.

B. Applicable Periods of Limitation

1. Pursuant to California Government Code Section 31540, the applicable periods of limitation for actions to recover erroneous payments into or out of LACERA shall be three years, and shall be applied as follows:
 - a. In cases where LACERA makes an erroneous payment to a member or beneficiary, the system's right to bring an action to collect shall not expire until three (3) years from the date of payment.

- b. Notwithstanding any other provision in this policy, in cases where LACERA makes an erroneous payment because of the death of a retired member or beneficiary, or because of the remarriage of the beneficiary, the system's right to bring an action to collect shall not expire until ten (10) years from the date of discovery of the erroneous payment.
- c. Notwithstanding any other provision in this policy, in cases where LACERA makes an erroneous payment as a result of fraudulent reports for compensation made, or caused to be made, by a member for his or her own benefit, the system's right to bring an action to collect shall not expire until ten (10) years from the date of payment or the date of discovery of the fraudulent reporting, whichever is later.
- d. Notwithstanding any other provision in this policy, in cases involving under paid member contributions, if LACERA brings an action within three (3) years from the date of discovery of the underpayment, it may recover the entire underpayment, regardless of when in the past the underpayment was made. If no action is brought by LACERA within three (3) years from the date of discovery, LACERA's right to bring an action shall expire three (3) years from the date of the underpayment.
- e. LACERA's determination with regard to the period of limitation in any case, and its determination with respect to the running of any period of limitation shall be conclusive and binding for purposes of correcting any error or omission.
- f. For purposes of this policy, date of discovery means the date LACERA discovered or reasonably could have discovered the error giving rise to the erroneous payment.
- g. Nothing in this policy shall be construed as limiting or prohibiting in any way LACERA's authority to correct errors as necessary in a member's or beneficiary's account, prospectively and/or retroactively,
- h. Notwithstanding any other provision in this policy, in cases where LACERA owes money to a member or beneficiary, the periods of limitation set forth above shall not apply.

C. Offsets

As part of LACERA's collection process, the CEO will wherever possible to recover all overpayments and underpayments owing from a member or beneficiary, plus interest thereon, offset amounts due to LACERA against current or future benefits owing to the member or beneficiary. The threshold limits set forth above shall apply to cases involving offsets, and will only be applied after the member or beneficiary is afforded an opportunity to challenge the debt and offset through the Board's Administrative Appeal Procedure.

D. Interest

The CEO will include appropriate interest on any overpayment or underpayment it seeks to recover in accordance with Section A. However, in accordance with Section A, the CEO may make no further demand for collection of interest, in whole or in part, where the CEO determines, after a careful review of case, it is appropriate under the circumstances of the case.

For purposes of this policy, appropriate interest means LACERA's actuarially assumed rate of return applicable during the period of the overpayment or underpayment, as it may have changed from time to time and as applied to the principal amount due at each point during the relevant period.

E. Delegation of Responsibilities

In all instances the CEO may delegate to staff the activities and work called for and necessarily required to carry out this policy.

F. Conflicts with applicable law.

To the extent anything in this policy conflicts with IRS rules or applicable law, such IRS rules or applicable law will prevail.

Revised: 6/11/2015
Revised: 6/14/2007
Adopted: 8/2/1995



July 5, 2016

TO: Each Member
Board of Retirement

FROM:  Cassandra Smith, Director
Retiree Healthcare Division

FOR: July 14, 2016 Board of Retirement Meeting

SUBJECT: **Out-of-State Kaiser Georgia 2016-2017 Premium Rate Increase**

RECOMMENDATION

- 1) Direct Staff to waive the waiting period to allow affected members enrolled in the Out-of-State (OOS) Kaiser - Georgia plan to switch to another plan without the 6-month waiting period.**

- 2) Implement a policy allowing staff to waive the 6-month waiting period if a health plan premium rate exceeds the Anthem Blue Cross benchmark rate.**

EXECUTIVE SUMMARY

Every year staff and our healthcare consultant present to the Board of Retirement the annual premium renewal evaluation report. Although the report includes both the California plans as well as the OOS plans being administered by LACERA, the OOS plan premiums reflect the proposed rates based on any mandate and regional premium charges pending final approval by the various states in which the plan is being offered. Unfortunately, the State approvals always occur after the start of LACERA's plan year which is July 1. This is also the reason the OOS rate booklets are not mailed out in late May along with the California plan rate booklet.

Consequently, due to the late approval notification, Kaiser - Georgia plan rate categories are exceeding the Anthem contribution amount benchmark. As a result, approximately 24 members will be required to pay a portion of their premium despite retiring with 25 or more year of service credit; some experiencing an increase in excess of 300%.

LACERA's OOS Kaiser contract negotiations for the 2016-2017 plan year concluded with an overall renewal increase of 5.5%. Kaiser Georgia's overall increase was \$10.9%. One reason for the increase is that our LACERA-administered OOS Kaiser plans have small enrollment numbers; therefore, LACERA has no negotiating power. Staff has contacted our Kaiser representative to find out what other causes may have contributed to this increase and will report back to your Board with our findings.

Because we are seeing this more frequently, staff is recommending that a policy be implemented which would allow staff to waive the waiting period in those instances when a premium rate exceeds the benchmark plan.

BACKGROUND

In 2008, CIGNA's premiums exceeded the Anthem Blue Cross benchmark premiums for the first time followed by another significant increase in 2010. Additionally, in 2011, United Healthcare (UHC) plan participants also experienced premiums exceeding the benchmark. In response, the Board directed staff to provide a waiver of the 6-month waiting period to allow members enrolled in those plans to switch to another plan without the 6-month wait.

CONCLUSION

For the first time in 2016, some of the Kaiser -Georgia rate categories have exceeded the Anthem Blue Cross benchmark rate affecting approximately 24 members. Because of established past practices, we are seeking approval to waive the 6-month waiting period for the current affected OOS Kaiser - Georgia members. In addition, we are recommending implementing a policy allowing staff to waive the waiting period should a plan premium rate exceed the benchmark plan.

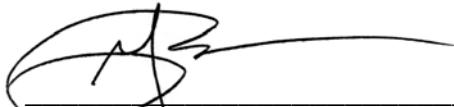
RECOMMENDATION

- 1) Direct Staff to waive the waiting period to allow affected members enrolled in the Out-of-State (OOS) Kaiser - Georgia plan to switch to another plan without the 6-month waiting period.**

- 2) Implement a policy allowing staff to waive the 6-month waiting period if a health plan premium rate exceeds the Anthem Blue Cross benchmark rate.**

CS:jb

Reviewed and Approved


A handwritten signature in black ink, appearing to be 'GR', is written over a horizontal line. The signature is stylized and somewhat cursive.

Gregg Rademacher
Chief Executive Officer



June 30, 2016

TO: Each Member
Board of Retirement

FROM: Gregg Rademacher 
Chief Executive Officer

FOR: July 14, 2016 Board of Retirement Meeting

SUBJECT: **INVESTMENT OFFICE STAFF COMPENSATION STUDY**

RECOMMENDATIONS

It is recommended the Board of Retirement:

1. Approve amending the current Management Appraisal and Performance Plan Tier I Salary Structure Table – LR Schedule, LG effective July 1, 2016 to include salary ranges LR26 through LR30.
2. Approve revising the Chief Investment Officer salary range from LR25 to LR28, effective July 1, 2016.
3. Direct staff to submit to the Board of Supervisors the necessary salary ordinance language to implement the revised Salary Structure Table and the Chief Investment Officer salary range.

EXECUTIVE SUMMARY

LACERA has been working toward filling its Chief Investment Officer (CIO) position since it became vacant in May 2015. The CIO is a key resource supporting the Board of Investments in successfully investing the \$47 billion retirement trust portfolio, the County OPEB \$549 million trust portfolio, and the \$5 million Court OPEB trust portfolio.

An executive recruiting firm began actively searching for CIO candidates on LACERA's behalf in September 2015. Regrettably, our efforts have not attracted the highly qualified candidate pool we had hoped for at the onset of the search. One potential factor that may have lead to this result is having a less than competitive compensation package. The CIO search was expanded in April 2016 with the first task being to evaluate the CIO position's salary range. A compensation consulting firm, McLagan Aon Hewitt (McLagan), was hired to evaluate the CIO and other LACERA professional investment position's salary ranges in relation to the labor market. Michael Oak, McLagan Associate Partner, will be present at the July 14, 2016 meeting to present the report findings. A copy of their presentation is attached.

The McLagan report found LACERA's investment professional position's salary ranges are competitive with the labor market with the exception of the CIO position. Based upon the McLagan report, the Chief Executive Officer (CEO) presented recommendations to the Board of Investments, memorandum attached, to increase the CIO salary range three levels from the current LR25 salary range to LR28 (an approximate 24% increase) and to amend LACERA's MAPP Tier I salary tables in the County Code to include new salary ranges LR26 through LR30.

	Minimum	Median	Maximum
LACERA LR25	\$278,462	\$349,968	\$421,475
LACERA LR26	\$299,347	\$376,216	\$453,085
LACERA LR27	\$321,798	\$404,432	\$487,067
LACERA LR28	\$345,932	\$434,765	\$523,597
LACERA LR29	\$371,877	\$467,372	\$562,867
LACERA LR30	\$399,768,	\$502,425	\$605,082

At its June 8, 2016 meeting, the Board of Investments approved the recommendations with the understanding the California Government Code requires both LACERA boards to agree on compensation related business matter and directed staff to forward the recommendations to the Board of Retirement for their consideration.

During the Board of Investment deliberations, five key points were raised. The following summarizes these points and also presents clarifying information.

First. The LACERA salary ordinance, which is approved by the LACERA boards and implemented by the Board of Supervisors as part of the County Code, delegates the authority to the CEO to set a new LACERA employee's salary within the first three quartiles of the salary range and the CEO can seek the Board of Retirement and the Board of Investments approval to set a new LACERA employee's salary in the salary range's fourth quartile. At their November 2015 meetings, Board of Retirement and the Board of Investments approved the CEO to utilize the full LR25 salary range in recruiting the CIO position.

Second. LACERA offers its professional investment positions a 5.5% pay increase should the employee hold a Chartered Financial Analyst (CFA) certificate, and the County Code allows for the employee's salary to exceed the salary range for the payment of the CFA pay premium. In substance, it is possible to offer a CIO candidate with a CFA certificate an approximate maximum salary of \$445,000 (\$421,475 plus 5.5%) under the current LR25 salary structure.

Third. The County does not provide its employees salary ranges beyond R25. A LACERA action to increase the CIO position's salary beyond the Los Angeles County pay structure will elicit an expected intense focus by the Board of Supervisors.

Fourth. A LACERA action to adopt salary ranges beyond what is immediately needed (i.e. LR 29 and LR30) may be viewed negatively by the Board of Supervisors who is responsible for taking public action to include the LACERA board's salary ordinance changes in the County Code.

Fifth. The Board of Supervisors' County Counsel opined in 1996 that the Board of Retirement and the Board of Investment have the joint independent authority to select and compensate LACERA employees without County Department of Human Resources oversight. LACERA employees are not County employees in any general sense and the Board of Supervisors has a ministerial duty to adopt the LACERA classifications and compensation ordinance adopted by the Board of Retirement and Board of Investments. A copy of the 1996 Los Angeles County Counsel opinion is attached.

The CEO believes the LR25 salary range (including the CFA certification bonus) is a limiting factor in attracting highly qualified CIO candidates based upon recent recruitment experience and the executive recruiting firm's representation that interested candidates declined participation due to salary concerns.

The LACERA LR25 salary range approximates the national average of other public funds annual salary plus incentive presented in the McLagan report. The McLagan salary survey results present the 25th, median, and 75th salary, and as such, the LACERA salary information is presented in the same format.

	25 th Percentile	Median	75 th Percentile
LACERA LR25	\$314,000	\$350,000	\$386,000
McLagan Custom Public Fund Peer Group	\$236,000	\$318,000	\$378,000
McLagan All Public Funds	\$229,000	\$309,000	\$413,000

However, the cost-of-living in Los Angeles is approximately 30% greater than the national average, and as such, the CEO believes increasing the CIO position's current LR25 salary range by approximately 24% to salary range LR28 will have a positive effect in recruiting a CIO.

The CEO recommendation to increase the LACERA CIO position salary range to LR28 is in alignment with the McLagan report results for its calculated Competitive Composite salary range

that is based upon a compensation philosophy of weighting various compensation percentiles and is designed to account for the higher cost of living in Los Angeles County.

	25 th Percentile	Median	75 th Percentile
LACERA LR28	\$390,000	\$435,000	\$479,000
McLagan Competitive Composite	\$310,000	\$415,000	\$525,000

McLagan report also presents a CIO Salary Alternative range that is discounted from the Competitive Composite. The reduction is based on the assumption that the survey salary data includes incentive compensation that may or may not be earned in each year. Using this methodology, the McLagan salary survey supports increasing the salary range from LR25 to LR27.

	25 th Percentile	Median	75 th Percentile
LACERA LR27	\$363,000	\$404,000	\$446,000
McLagan Salary Alternative	\$320,000	\$400,000	\$440,000

The CEO believes the McLagan Competitive Composite is a superior benchmark as the McLagan Salary Alternative does not provide sufficient allowance for the higher cost of living in Los Angeles County.

The CEO further believes having a salary range table that extends beyond salary range LR28 will provide LACERA a tool for future recruitment and retention, provide the LACERA Boards options should we find LR28 salary range insufficient, and may be perceived positively by CIO candidates.

In summary, the CEO recommendation improves LACERA's ability to compete for highly qualified CIO candidates in the Public Fund labor market and may assist with staff retention by narrowing the compensation gap between LACERA compensation and the Endowment, Foundation and Corporate Plan Sponsor labor market.

At its June 9, 2016 meeting during the CEO Report, the Board of Retirement expressed its desire to have future compensation related matters to be held jointly with the Board of Investment so that both boards could have the advantage contemporaneous consideration and discussion. Staff will move forward with this direction for future compensation action items.

BACKGROUND

LACERA exists to support its participating County and district employers recruit and retain a qualified workforce through administering a defined benefit program for their employees. California State Law further recognizes a public obligation to county and district employees who become incapacitated by age or long service in public employment and its accompanying physical disabilities by making provisions for retirement compensation and death benefit as additional elements of compensation for future services and to provide a means by which public employees who become incapacitated may be replaced by more capable employees to the betterment of public service without prejudice and without inflicting a hardship upon the employees removed. Since its inception in 1938, LACERA has grown to serve over 160,000 members through its retirement, disability, and healthcare programs.

A critical component in providing these services is collecting contributions from employees and employers, investing the portfolio assets, and paying the promised benefits. From this perspective, LACERA can be viewed as a financial company with \$2 billion in annual contribution revenue, investing a \$48 billion investment portfolio, and paying \$2.5 billion in retirement and disability benefits. In relation to its peer group as reported in the Pension & Investments largest 1,000 defined benefit plans based upon assets under management, LACERA is the 4th largest California public defined benefit pension plan and ranked 23rd largest public defined benefit plan nationally.

The Board of Retirement and the Board of Investments work together to produce, protect and provide the promised benefits. Specifically, the Board of Investments is responsible for investing trust assets and shall do so with loyalty, care, skill, prudence, and diligence. The Investments Office staff and the Board of Investment's consultants work collaboratively to ensure the Board of Investments receives the proper investment support to fulfill its fiduciary duty. One crucial element in this support is recruiting and retaining qualified Investment Office staff.

In September 2015, LACERA began actively recruiting for the Chief Investment Officer (CIO) position. Regrettably, our efforts have not attracted the highly qualified candidate pool we had hoped for at the onset of the project. In March 2016, the decision was made to expand the search with the first task being to evaluate LACERA's CIO compensation in relation to the target labor market. A firm specializing in asset management compensation, McLagan Aon Hewitt (McLagan), was engaged in April 2016 to evaluate the CIO compensation along with the other investment office's investment positions, provide recommendations on competitive salary ranges, and to provide information on performance based incentive compensation programs.

From reviewing the McLagan report, the CEO came to three conclusions. First, the Investment Office staff salaries are generally competitive for all positions except for the CIO position.

Second, a competitive CIO salary range does not exist in the current LACERA salary ordinance within the County Code.

Third, as all the Investment Office salary ranges are currently competitive with the target labor market (with the exception of the CIO), implementing an incentive pay bonus program will not meaningfully increase LACERA's ability to recruit and retain the majority of the Investment Office staff and implementing an incentive pay bonus program solely for the CIO could erode team morale.

CHIEF INVESTMENT OFFICER SALARY RANGE ADJUSTMENT

The CEO hired a professional compensation consulting firm, McLagan Aon Hewitt (McLagan) to evaluate the LACERA Investment Office salary ranges. Michael Oak, McLagan Associate Partner, and Maureen Reilly, McLagan Senior Analyst, brought forth significant research experience to analyze LACERA Investment Office salary ranges, including the results of their firm's recently completed public pension compensation studies for CalSTRS, CalPERS, Texas Teachers Retirement System, Oregon State Treasury, State of Washington, Virginia Retirement System, State of Wisconsin, Mass PRIM, New York City, New York State Common, Contra Costa, and San Bernardino, and custom survey data developed from public, corporate, and private sector retirement plans.

Leveraging this information set, McLagan presented four national average comparator groups:

1. Custom Fund Peer Group (external investment management with \$25b to \$100b in assets)
2. All Public Funds
3. Corporate, Endowments, Foundations
4. Advisory Firms, Investment Management Firms, Banks, and Insurance Companies

Additionally, McLagan developed a Competitive Composite salary range using the first three comparator groups. The following Salary Percentiles and weightings were used to create the Competitive Composite salary median.

Labor Market Segment	Salary Percentile	Weighting
Custom Fund Peer Group	75 th	50%
All Public Pension Plans	75 th	25%
Corporate, Endowment, and Foundations	25 th	25%
Advisory Firms, Investment Management, Banks, Insurance	-	0%

The McLagan Competitive Composite calculation put a majority weighting on large public pension plans similar to LACERA and used the 75th salary percentile to adjust for Los Angeles County's higher cost of living. The calculation resulted in a \$415,000 median CIO position salary.

Exercising their judgment, McLagan calculated a Salary Alternative median salary, based on the assumption not all employees in the comparator group receive a maximum incentive pay bonus in every year. The calculation resulted in a \$400,000 median CIO position salary.

The current base pay range for the LACERA CIO is LR25: \$278,000 to \$421,000, with a median salary of approximately \$350,000. Adjusted to account for the CFA certification bonus the LR25 salary range could be calculated 5.5% higher at \$294,000 to \$445,000 with a median salary of approximately \$369,000.

Focusing on the McLagan Composite methodology results, the LACERA LR25 median salary is below both the McLagan Competitive Composite and McLagan's Salary Alternative median salary. This could be placing LACERA at a disadvantage to attract and retain CIO candidates.

Applying the McLagan report's calculated conclusions to hypothetical LACERA salary ranges results in the following comparison.

	Range	Minimum	Median	Maximum	Maximum with CFA	Percent Increase
Current CIO Salary Range	LR 25	\$278,000	\$350,000	\$421,000	\$445,000	
McLagan Alternative	LR 27	\$322,000	\$404,000	\$487,000	\$514,000	16%
McLagan Competitive Composite	LR 28	\$346,000	\$435,000	\$524,000	\$553,000	24%

The CEO recommends the LACERA Boards revise the CIO pay range to R28: \$346,000 to \$524,000 (as adjusted for CFA certification bonus to a maximum \$553,000). The CEO believes the McLagan Competitive Composite is a superior benchmark as the McLagan Salary Alternative does not provide sufficient allowance for the higher cost of living in Los Angeles County.

Another practical way to review the McLagan survey data would be by comparator group. The McLagan survey data does not identify a minimum or maximum salary as these specific salaries maybe "outliers" and skew the data results. As such, McLagan presents the 1st, 2nd, and 3rd quartiles. In other words the 25th percentile, median, and 75th percentile salary amounts. Comparing the current LACERA CIO position salary range LR25 to the national average public fund comparator groups we see LR25 appears to be more competitive in the beginning of the salary range and generally competitive at the 75th percentile.

	25 th Percentile	Median	75 th Percentile
LACERA LR25	\$314,000	\$350,000	\$386,000
McLagan Custom Public Fund Peer Group	\$236,000	\$318,000	\$378,000
McLagan All Public Funds	\$229,000	\$309,000	\$413,000

However, the Los Angeles County cost of living is reported to be approximately 30% greater than the national average (payscale.com). This includes housing prices which are estimated to be 2.5 times greater than the national average and rents being 50% greater than the national average (California Legislative Analyst's Office March 2015 report). With this additional information it is reasonable to conclude the LACERA LR25 salary range is not as competitive as it appears to be in the chart. For this reason, the CEO recommends the LACERA Boards increase the current CIO pay range by 24% to LR28.

Another key comparator group is the Corporate Plan Sponsors, Endowments, and Foundations. This labor market's salary range is traditionally greater than the Public Fund salary ranges. Comparing LR25 and LR28 to this comparator group we can see this remains true in this salary survey.

	25 th Percentile	Median	75 th Percentile
LACERA LR25	\$314,000	\$350,000	\$386,000
LACERA LR28	\$390,000	\$435,000	\$479,000
McLagan Corp., Endowment, Foundations	\$493,000	\$834,000	\$1,240,000

While the LACERA LR28 salary range will not be sufficient to compete for CIO candidates in the Endowment labor market, the LR28 salary range may serve to close the compensation gap to aid in staff retention.

LOS ANGELES COUNTY SALARY ORDINANCE

Section 31522.1 of the Retirement Law provides that employees of the system be included in the salary ordinance or resolution adopted by the Board of Supervisors. In the past, the County Counsel has advised that the Board of Supervisors has a ministerial duty to adopt the positions and salary levels that are determined necessary by LACERA's Boards of Retirement and Investments.

Staff recommends amending the LACERA Tier 1 Salary Table from the current maximum LR25 salary range to incorporate an additional five salary ranges. Each salary range is 7.5% greater than the preceding salary range with each salary range maximum being approximately 50% more than the range starting salary. It is important to note the County salary schedules do not go beyond range 25. Expanding the LACERA salary range table to include ranges 26 through 30 will require a collaborative educational effort with the County Executive, County Counsel, and Board of Supervisor staff.

Amended salary tables for Los Angeles County Code section 6.26.040 County of Los Angeles Salary Tables are presented as Attachment C. Please note the salary table with annual amounts is included for informational purposes only as the County Code only includes the monthly salary tables.

Additionally, the Los Angeles County Code section 6.28.050 will need to be revised to identify the new Chief Investment Officer salary range. The proposed amendment is as follows:

Item No.	Title	Effective Date	Note	Salary
0493	Chief Investment Officer, LACERA (UC)	01/01/2009	N23	LR25
		01/16/2014	N23	LR25
		01/01/2015	N23	LR25
		01/01/2016	N23	LR25
		<u>07/01/2016</u>	<u>N23</u>	<u>LR28</u>

PERFORMANCE BASED COMPENSATION PROGRAM

Prior to the Great Recession, there was a growing trend to compensate government pension investment professionals using both base pay and a performance based incentive compensation plan. While a performance compensation plan has advantages (bonuses highly regarded by employees) and disadvantages (stakeholder criticism), it would be reasonable to evaluate its application to Investments Office staff compensation structure. This compensation structure is generally used in public retirement systems with substantial internal investment portfolios. Due to LACERA outsourcing nearly all of its investments, the current investment positions (excluding the CIO position) being competitive in relation to the Public Fund comparator groups and the McLagan Competitive Composite, and having only a portion of the Investment Office team compensated with a performance pay component may impact team morale, staff recommends the Board consider and reject implementing a performance based compensation program.

CONCLUSION

The Board of Retirement and the Board of Investments work together to produce, protect and provide the promised benefits. The Board of Investments is responsible for investing LACERA's

\$48 billion investment portfolios with a fiduciary duty of loyalty and care. The Board of Investments requires support in fulfilling this responsibility and chooses to hire expert consultants and employ investment professionals. In the on-going Chief Investment Officer search, it has become evident LACERA should reassess its Investments Office compensation structure to ensure it can remain competitive in attracting and retaining its Investments Office staff. A compensation consultant, McLagan Aon Hewitt, provided an Investment Staff Competitive Pay Analysis that concluded the Investments Office staff salary ranges are competitive with the Public Funds comparator groups and the Competitive Composite (a weighted composite of public pension plan, corporate plan, endowment, and foundation investment salary ranges) with the exception of the CIO position. Reviewing the McLagan calculated Competitive Composite and the related public fund comparator groups, the CEO recommends the LACERA Boards amend the current salary table to expand the number of salary ranges to include salary ranges LR26 through LR30 and to increase the CIO position salary range 24% by changing the CIO position's salary range from LR25 to LR28.

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD:

1. Approve amending the current Management Appraisal and Performance Plan Tier I Salary Structure Table – LR Schedule, LG effective July 1, 2016 to include salary ranges LR26 through LR30.
2. Approve revising the Chief Investment Officer salary range from LR25 to LR28, effective July 1, 2016.
3. Direct staff to submit to the Board of Supervisors the necessary salary ordinance language to implement the revised Salary Structure Table and the Chief Investment Officer salary range.

GR:tm

Investment Office Compensation June 2016v3.doc

Attachments

ATTACHMENTS

Overview

- Los Angeles County Employees Retirement Association (“LACERA”) asked McLagan to review the competitiveness of its compensation levels for its eight investment positions:

Chief Investment Officer	<i>Deputy CIO</i>
<i>Principal Investment Officer – Risk</i>	Principal Investment Officer
Senior Investment Officer	Financial Analyst III
Financial Analyst II	Financial Analyst I

- To complete this analysis, McLagan assembled data from four comparator groups (see Appendix for additional detail):
 - A custom peer group of US public pension funds with AUM between \$25B and \$100B whose assets are primarily externally managed (e.g., excluding funds with significant direct security selection).
 - All US public pension funds, representing the broad public-sector market.
 - Corporate pension funds, endowments, and foundations.
 - Advisory firms, banks, and insurance companies.
- This report contains information about the competitive range of salary and total cash compensation (e.g., salary + cash incentives) for these positions. Note that long-term incentives common in the private sector have been excluded (e.g., stock options, mutual fund deferrals, restricted stock, etc.).

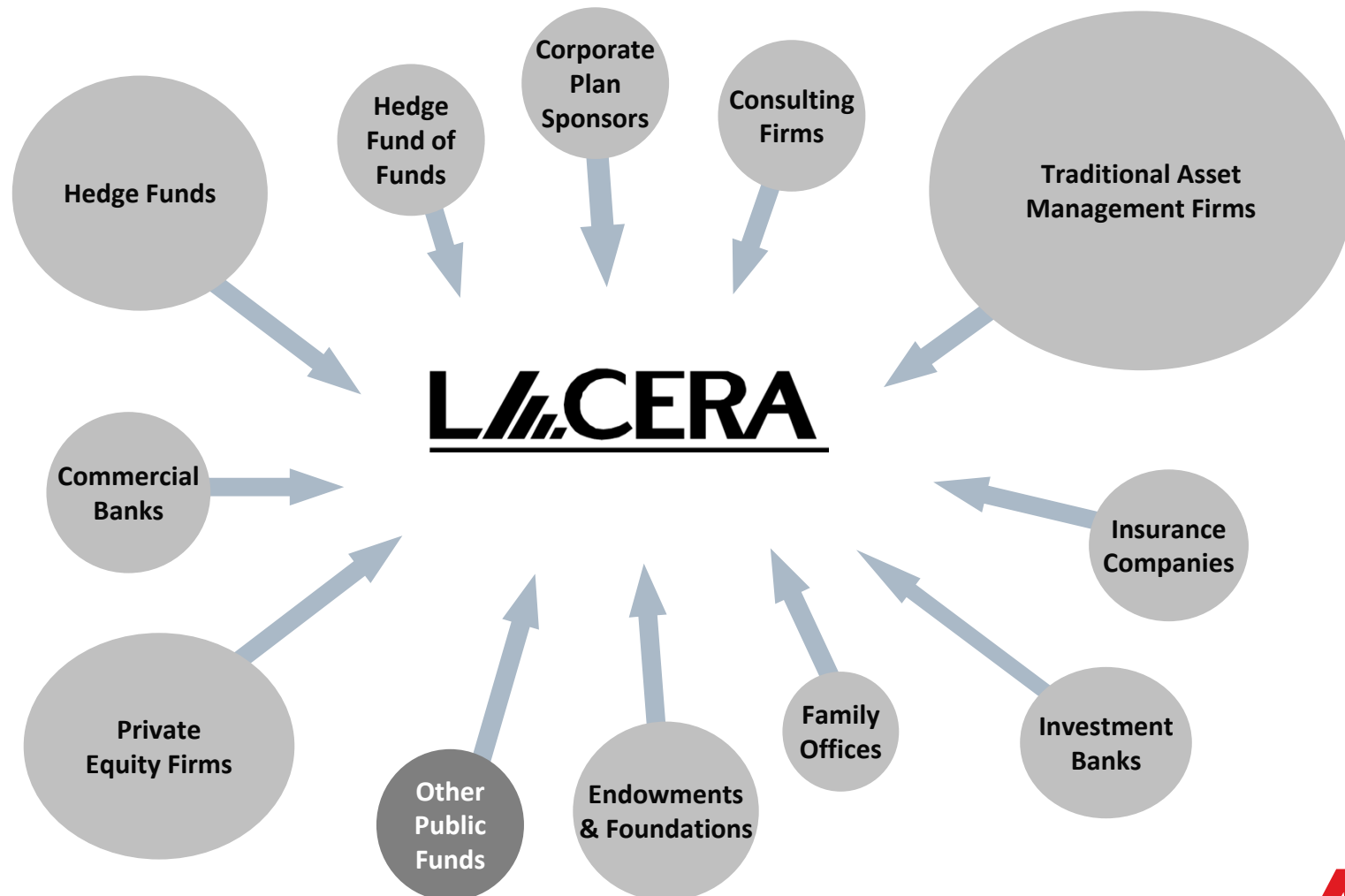
Executive Summary & Recommendations

- Aside from the Chief Investment Officer position, LACERA's current salaries are generally competitive with market total cash compensation. For the CIO, LACERA should consider one of two options:
 - Increasing salary to be more competitive with market total cash levels. **(recommended)**
 - Implementing a performance-based compensation program.
- As detailed further in this report, LACERA competes with a broad range of investment management organizations in the public and private sector for qualified talent. Other public funds represent only a small fraction of the total labor market.
- LACERA seeks to employ top investment talent and be a leading institutional investor. Moreover, LACERA is located in a relatively higher cost of living area than most peers. For these reasons, we have developed competitive composites based on:
 - The 75th percentile of the custom peer group as the primary reference (weighted 2x).
 - The 75th percentile of all public funds as a secondary reference (weighted 1x).
 - The 25th percentile of corporate pensions, endowments, and foundations as a secondary reference (weighted 1x).
 - While data from advisory firms, banks, and insurance companies is shown, it was not included in the competitive composite.

Note: the effective weighting is 75% to public fund data (50% custom peers + 25% all funds) and 25% to private sector data.

LACERA Competes with a Broad Range of Investment Organizations

- Although LACERA is a public fund, it competes with a wide range of investment management organizations for qualified talent. Public funds represent a tiny fraction of the total labor market for qualified investment professionals.



Chief Investment Officer

Comparator Group	Survey Position	LACERA Current Salary Range			Competitive Market (\$000s)						Midpoint Q'ile Positioning	
		Min	Mid	Max	Salary			Salary + Incentive			Salary	T. Cash
					25th	Median	75th	25th	Median	75th		
Chief Investment Officer												
Custom Public Fund Peer Group	Chief Investment Officer	\$278	\$350	\$421	\$194	\$318	\$378	\$236	\$318	\$378	2	2
All Public Funds	Chief Investment Officer				222	281	381	229	309	413	2	2
Corp. Plan Sponsors, Endow, Found Advisory, Banks, Insurance	Chief Investment Officer				326	355	465	493	834	1,240	3	4
	Hd of External Investments				254	280	308	499	734	971	1	4
Competitive Composite⁽¹⁾		\$278	\$350	\$421	\$255	\$365	\$465	\$310	\$415	\$525	3	3
Current Salary with Premium⁽²⁾		294	369	445							2	3
Salary Alternative		\$320	\$400	\$480							2	3
Salary Alternative with Premium⁽²⁾		338	422	506							2	2

Current pay is below market

This position has ongoing responsibility for the Fund's overall investment results. Working with the Board and/or with external consultants, this position is responsible for developing and implementing the Fund's overall investment policy and program. Depending on the Fund's investment approach, investment activities may be conducted through external managers and/or through internal staff (e.g., Heads of Investment Area/Asset Class Heads, Senior Portfolio Managers).

Incumbent is a seasoned administrator, money manager, and investment strategist.

Typically has more than 10 years of investment-related experience.

Composite Weighting	
Primary	2x
Secondary	1x

(1) Details on the competitive composite methodology are located on page 3.

(2) Includes a 5.5% salary premium for "certification bonus"

Deputy Chief Investment Officer

Comparator Group	Survey Position	LACERA Current Salary Range			Competitive Market (\$000s)						Midpoint Q'ile Positioning		
		Min	Mid	Max	Salary			Salary + Incentive			Salary	T. Cash	
					25th	Median	75th	25th	Median	75th			
Deputy Chief Investment Officer													
Custom Public Fund Peer Group	Deputy CIO	--	--	--	\$175	\$217	\$226	\$230	\$247	\$256	--	--	
All Public Funds	Deputy CIO				168	222	296	195	247	409	--	--	
Corp. Plan Sponsors, Endow, Found	Hd Area/Team Ldr - Ext Inv				270	300	370	445	573	719	--	--	
Advisory, Banks, Insurance	Hd Area/Team Ldr - Ext Inv				213	250	350	407	623	1,026	--	--	
Competitive Composite⁽¹⁾		--	--	--	\$200	\$255	\$300	\$295	\$340	\$455	--	--	
Salary Alternative		\$260	\$325	\$390							1	3	
Salary Alternative with Premium⁽²⁾		274	343	411							1	2	

New position

Working under the direction of the Executive Director or the Chief Investment Officer, this single-incumbent position is responsible for assisting in developing and implementing the Fund’s overall investment policies and programs.

This position manages a range of investment related activities that vary with the incumbent’s background (e.g., investment strategy, risk management, administrative services, external manager oversight and investment operations). Most importantly, this position assumes many of the Chief Investment Officer’s responsibilities, allowing that incumbent to focus on investment management, Board relations, and/or other critical Fund-level activities/initiatives. This position may also have the title of Chief Operating or Administrative Officer.

Incumbents in this position have extensive Board contact.

Composite Weighting	
Primary	2x
Secondary	1x

(1) Details on the competitive composite methodology are located on page 3.

(2) Includes a 5.5% salary premium for “certification bonus”

Principal Investment Officer – Risk & Performance

Comparator Group	Survey Position	LACERA Current Salary Range			Competitive Market (\$000s)						Midpoint Q'ile Positioning		
		Min	Mid	Max	Salary			Salary + Incentive			Salary	T. Cash	
					25th	Median	75th	25th	Median	75th			
Principal Investment Officer - Risk & Performance													
Custom Public Fund Peer Group	Head Risk/Inv Strategy	--	--	--	Not enough data in Custom Public Fund peer group						--	--	
All Public Funds	Head Risk/Inv Strategy				157	176	\$213	172	186	\$292	--	--	
Corp. Plan Sponsors, Endow, Found	Hd of Risk Mgmt				228	262	372	353	409	466	--	--	
Advisory, Banks, Insurance	Hd of Risk Mgmt				225	262	300	443	554	659	--	--	
Competitive Composite⁽¹⁾		--	--	--	\$190	\$215	\$260	\$285	\$305	\$480	--	--	
<i>Salary Alternative (same as current PIOs)</i>		\$242	\$303	\$363							1	3	
<i>Salary Alternative with Premium⁽²⁾</i>		256	319	383							1	2	

New position

Working under the direction of the Chief Investment Officer, this position is responsible for defining short- and long-term investment strategies and risk management approaches. They may also work closely with the CIO in developing short- and long-term asset allocation strategy.

This position helps develop and manage the risk management framework, including risk budgeting and scenario testing on a total fund, asset class and portfolio basis. Individuals will also lead investment analyses, risk evaluation, and/or asset allocation studies.

The Head of Risk typically has portfolio management experience, but does not currently have direct portfolio management responsibility.

Composite Weighting	
Primary	2x
Secondary	1x

(1) Details on the competitive composite methodology are located on page 3.

(2) Includes a 5.5% salary premium for “certification bonus”

Principal Investment Officer

Comparator Group	Survey Position	LACERA Current Salary Range			Competitive Market (\$000s)						Midpoint Q'ile Positioning		
		Min	Mid	Max	Salary			Salary + Incentive			Salary	T. Cash	
					25th	Median	75th	25th	Median	75th			
Principal Investment Officer													
Custom Public Fund Peer Group	Team Leader - Ext Inv	\$241	\$303	\$365	\$178	\$200	\$210	\$178	\$202	\$222	1	1	
All Public Funds	Team Leader - Ext Inv				176	190	213	179	210	274	1	1	
Corp. Plan Sponsors, Endow, Found	Hd Area/Team Ldr - Ext Inv				270	300	370	445	573	719	2	4	
Advisory, Banks, Insurance	Hd Area/Team Ldr - Ext Inv				213	250	350	407	623	1,026	2	4	
Competitive Composite⁽¹⁾		\$241	\$303	\$365	\$205	\$225	\$245	\$250	\$290	\$350	1	2	
Current Salary with Premium⁽²⁾		254	319	385							1	2	

Current range is competitive

This position oversees a team responsible for managing external investment managers. The individual is responsible for creating risk and asset class guidelines for external managers and training and directing the team's staff. Depending on the organization, may be fully responsible for a major asset class (e.g., equities or fixed-income) or for supporting the CIO across a broad range of asset classes.

Incumbents generally report directly to the CIO. Typically has portfolio management *experience*, but does not currently have portfolio management *responsibility*.

This position is typically found in larger organizations with substantial external management.

Composite Weighting	
Primary	2x
Secondary	1x

(1) Details on the competitive composite methodology are located on page 3.

(2) Includes a 5.5% salary premium for "certification bonus"

Senior Investment Officer

Comparator Group	Survey Position	LACERA Current Salary Range			Competitive Market (\$000s)						Midpoint Q'ile Positioning	
		Min	Mid	Max	Salary			Salary + Incentive			Salary	T. Cash
					25th	Median	75th	25th	Median	75th		
Senior Investment Officer												
Custom Public Fund Peer Group	Sr Manager - Ext Inv	\$194	\$244	\$294	\$118	\$138	\$159	\$130	\$139	\$191	1	1
All Public Funds	Sr Manager - Ext Inv				130	150	175	137	162	219	1	1
Corp. Plan Sponsors, Endow, Found	Portfolio Mgr - Ext Inv				168	191	232	244	305	376	1	4
Advisory, Banks, Insurance	Portfolio Mgr - Ext Inv				166	200	250	275	374	545	2	4
Competitive Composite⁽¹⁾		\$194	\$244	\$294	\$140	\$165	\$190	\$185	\$210	\$285	1	2
Current Salary with Premium⁽²⁾		205	257	310							1	1

Current range is competitive

This position is responsible for monitoring and managing relationships with external investment managers and evaluating and selecting new external managers. Individuals may work directly with the CIO or Team Leader(s) in creating risk and asset class guidelines for external managers.

Senior Investment Officers are generally seasoned investment professionals who typically have more than 7 years of related experience.

Composite Weighting	
Primary	2x
Secondary	1x

(1) Details on the competitive composite methodology are located on page 3.

(2) Includes a 5.5% salary premium for "certification bonus"

Financial Analyst III

Comparator Group	Survey Position	LACERA Current Salary Range			Competitive Market (\$000s)						Midpoint Q'ile Positioning	
		Min	Mid	Max	Salary			Salary + Incentive			Salary	T. Cash
					25th	Median	75th	25th	Median	75th		
Financial Analyst III												
Custom Public Fund Peer Group	Sr Analyst - Ext Inv	\$145	\$183	\$220	\$91	\$102	\$128	\$98	\$110	\$147	1	1
All Public Funds	Sr Analyst - Ext Inv				95	108	121	101	113	130	1	1
Corp. Plan Sponsors, Endow, Found	Sr Analyst - Ext Inv				107	127	145	132	167	191	1	2
Advisory, Banks, Insurance	Sr Analyst - Ext Inv				118	140	170	158	210	289	1	3
Competitive Composite⁽¹⁾		\$145	\$183	\$220	\$105	\$120	\$145	\$125	\$140	\$175	1	1
Current Salary with Premium⁽²⁾		153	193	232							1	1

Current range is competitive

This position assists in the selection, evaluation, and ongoing monitoring of external investment managers. Individuals in this position typically have more than 5 years of investment experience and can work fairly independently. However, they are still refining their understanding of investment decision-making and manager selection.

The responsibilities/authority for this position are more limited than senior managers.

Composite Weighting	
Primary	2x
Secondary	1x

(1) Details on the competitive composite methodology are located on page 3.

(2) Includes a 5.5% salary premium for "certification bonus"

Financial Analyst II

Comparator Group	Survey Position	LACERA Current Salary Range			Competitive Market (\$000s)						Midpoint Q'ile Positioning	
		Min	Mid	Max	Salary			Salary + Incentive			Salary	T. Cash
					25th	Median	75th	25th	Median	75th		
Financial Analyst II												
Custom Public Fund Peer Group	Int Analyst - Ext Inv	\$109	\$137	\$165	\$62	\$81	\$91	\$69	\$81	\$91	1	1
All Public Funds	Int Analyst - Ext Inv				68	77	89	72	79	90	1	1
Corp. Plan Sponsors, Endow, Found	Interm. Analyst - Ext Inv				78	83	100	92	103	118	1	1
Advisory, Banks, Insurance	Interm. Analyst - Ext Inv				80	95	115	102	135	194	1	2
Competitive Composite⁽¹⁾		\$109	\$137	\$165	\$75	\$90	\$105	\$80	\$90	\$105	1	1
Current Salary with Premium⁽²⁾		115	144	174							1	1

Current range is competitive

This position assists in the selection, evaluation, and ongoing monitoring of external investment managers. Incumbents operate under the general direction of more senior staff and are refining their understanding of investment decision-making and manager selection. Intermediate analysts are still learning and developing the knowledge and skills necessary for investment decision-making and manager selection.

Incumbents in this position typically have 2 to 5 years of investment experience.

Composite Weighting	
Primary	2x
Secondary	1x

(1) Details on the competitive composite methodology are located on page 3.

(2) Includes a 5.5% salary premium for "certification bonus"

Financial Analyst I

Comparator Group	Survey Position	LACERA Current Salary Range			Competitive Market (\$000s)						Midpoint Q'ile Positioning	
		Min	Mid	Max	Salary			Salary + Incentive			Salary	T. Cash
					25th	Median	75th	25th	Median	75th		
Financial Analyst I												
Custom Public Fund Peer Group	Analyst - Ext Inv	\$75	\$87	\$99	\$62	\$67	\$74	\$62	\$67	\$77	1	1
All Public Funds	Analyst - Ext Inv				59	64	72	59	64	72	1	1
Corp. Plan Sponsors, Endow, Found	Jr Analyst - Ext Inv				59	63	70	64	74	88	1	2
Advisory, Banks, Insurance	Jr Analyst - Ext Inv				67	83	103	76	100	145	2	3
Competitive Composite⁽¹⁾		\$75	\$87	\$99	\$65	\$70	\$80	\$70	\$75	\$85	1	1
Current Salary with Premium⁽²⁾		79	92	104							1	1

Current range is competitive

This position assists more senior analysts in the selection, evaluation, and ongoing monitoring of external investment managers. Junior analysts work to develop the knowledge and skills necessary for investment decision-making and manager selection. Individuals work **under the direct supervision** of management or Senior Analysts.

Incumbents in this position may have up to 2 years of investment experience. Typically this position is entry-level.

Composite Weighting	
Primary	2x
Secondary	1x

(1) Details on the competitive composite methodology are located on page 3.

(2) Includes a 5.5% salary premium for "certification bonus"

Performance-Based Incentive Compensation

A “Typical” Public Fund Performance-Based Incentive Plan

Near the Beginning of Each Year:

1. Identify/Re-Confirm Maximum Award
 - Assume \$80,000 (for illustrative purposes)
2. Weight Maximum Award to Specific Components

Plan Component	Incentive Weighting	Weighted Portion of Target Incentive
Total Fund	20%	\$16,000
Asset Class	60%	48,000
Qualitative	20%	16,000
Total	100%	\$80,000

3. Establish Performance Criteria/Scales:

- Investment performance criteria.
- Individual performance criteria.

Total Fund Performance-Award Scale	
Bps of Above-B'mark	Award Earned
60 bps or more	100%
:	:
30 bps	50%
:	:
0 bps or less	0%
<i>Intermediate points are interpolated</i>	

Asset Class Performance Award Scale	
Bps of Above-B'mark	Award Earned
50 bps or more	100%
:	:
25 bps	50%
:	:
0 bps or less	0%
<i>Intermediate points are interpolated</i>	

After the End of Each Year:

1. Determine Multipliers for each Plan Component

Plan Components	Performance (illustrative)	Performance Multiplier
Total Fund	45 bps	0.75
Asset Class	25 bps	0.50
Qualitative	"Very good year"	0.75

2. Determine Final Awards

Plan Component	Weighted Portion of Target Incentive	Performance Multiplier	Actual Award
Total Fund	\$16,000	x 0.75	= \$12,000
Asset Class	48,000	x 0.50	= 24,000
Qualitative	16,000	x 0.75	= 12,000
Final Award			= \$48,000

3. Pay Out Award

- Often deferred if absolute returns are negative

Appendix

Public Funds Comparator Group – AUM \$25B - \$100B

Public Fund Peer Group - AUM \$25B - \$100B (External Mgmt)	
	'14 AUM
Minnesota State Board of Investment	\$80.3
Oregon Public Employees Retirement Fund	70.1
Pension Reserves Investment Management (PRIM) Board	60.5
Alaska Permanent Fund Corporation	52.8
Alaska Retirement Management Board/State of Alaska	49.6
Maryland State Retirement & Pension System	44.9
Colorado Public Employees' Retirement Association	44.8
Public School and Education Employee Retirement Systems of Missouri	37.9
Public Employees' Retirement System of Nevada	34.0
Indiana Public Retirement System	29.7
Iowa Public Employee's Retirement System	28.0
State Employees' Retirement System	27.2
High Quartile	\$54.8
Median	44.9
Low Quartile	32.9
L.A. County Employees Retirement Association	\$47.2

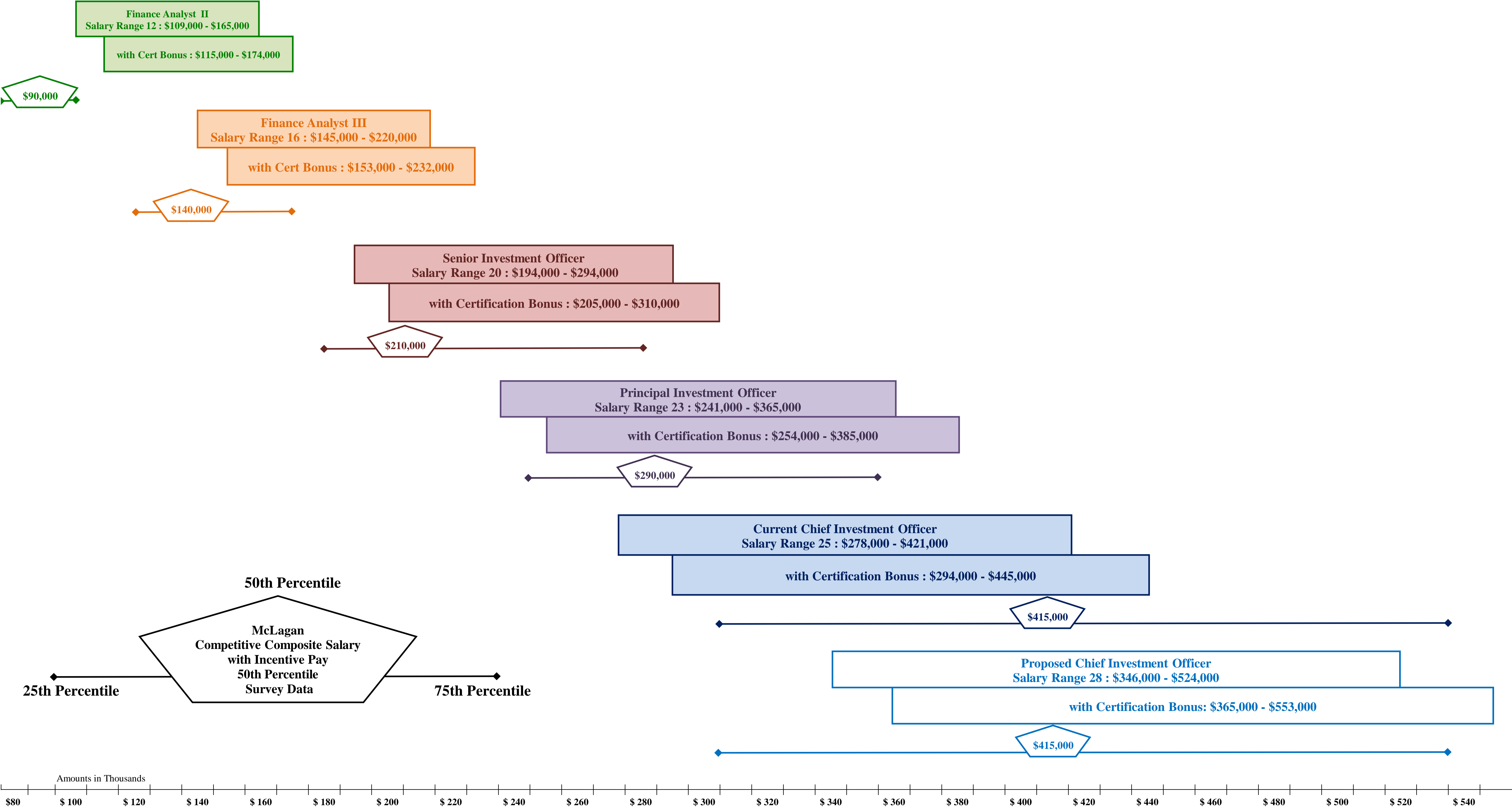
All Public Funds Comparator Group

Fund	AUM (\$B) 12/31/2014	Fund	AUM (\$B) 12/31/2014						
California Public Employees Retirement System	\$243.9	Iowa Public Employees' Retirement System	\$28.0						
California State Teachers' Retirement System	188.8	Pennsylvania State Employees' Retirement System	27.2						
New York State Common Retirement Fund	181.7	Employees' Retirement System of Texas	25.6						
Florida State Board of Administration	180.6	Texas County and District Retirement System	24.5						
Teacher Retirement System of Texas	129.9	Texas Municipal Retirement System	23.6						
New York State Teachers' Retirement System	106.0	Louisiana Teachers' Retirement System	16.7						
State of Wisconsin Investment Board	96.1	West Virginia Investment Management Board	16.5						
Ohio Public Employees Retirement System	89.8	Kansas Public Employees' Retirement System	16.4						
North Carolina Retirement System	88.8	Montana Board of Investments	16.3						
Georgia Employees' Retirement System	82.4	Idaho Public Employees' Retirement System	14.7						
Minnesota State Board of Investments	80.3	Hawaii Employees' Retirement System	14.1						
State Teachers' Retirement System Ohio	73.6	Maine State Retirement System	12.5						
Oregon Public Employees' Retirement Fund	70.1	Ohio School Employees' Retirement Board	12.5						
Virginia Retirement Systems	65.9	South Dakota Investment Council	11.7						
Michigan State Retirement Systems	60.7	New Mexico Educational Retirement Board	11.3						
Massachusetts Pension Reserves Investment Mgmt	59.0	Delaware Public Employees' Retirement System	9.1						
Alaska Permanent Fund Corporation	52.8	Municipal Employees' Retirement System of Michigan	8.9						
Pennsylvania Public School Employees' Ret Sys	52.4	Missouri State Employees' Retirement System	8.8						
Alaska State Pension Investment Board	49.6	Oklahoma Public Employees' Retirement System	8.5						
Maryland State Retirement Agency	44.9	Wyoming Retirement System	7.7						
Colorado Public Employees' Retirement Association	44.8	Missouri Local Government Employees' Retirement System	6.4						
Tennessee Consolidated Retirement System	43.9	Fire and Police Pension Association of Colorado	4.2						
Missouri Public School Retirement System	37.9	Idaho Endowment Investment Board	2.5						
Nevada Public Employees Retirement	34.0	Municipal Fire and Police Retirement System of Iowa	2.3						
Arizona State Retirement System	33.6	Fort Worth Employees' Retirement Fund	2.1						
Indiana Public Employees Retirement Fund	29.7	Mississippi Public Employees' Retirement System	0.9						
<table border="1"> <tr> <td>75th Percentile</td> <td>\$68.0</td> </tr> <tr> <td>Median</td> <td>28</td> </tr> <tr> <td>25th Percentile</td> <td>12.1</td> </tr> </table>		75th Percentile	\$68.0	Median	28	25th Percentile	12.1		
75th Percentile	\$68.0								
Median	28								
25th Percentile	12.1								
L.A. County Employees Retirement Association	\$47.2								

All Private Sector Comparator Group

LACERA ¹ Private Sector Pay Comparators (All)				
	# Firms	12/31/14 AUM (\$Bs)		
		25th	50th	75th
Investment Management Firms	166	\$13.1	\$51.0	\$169.0
Banks (Investment Management Depts)	34	15.5	34.6	155.8
Insurance Companies (Investment Management Depts)	57	19.7	59.0	114.0
Corporate Plan Sponsors, Endowments, & Foundations	86	2.6	6.0	20.8

LACERA Investment Office Staff Salary Ranges



LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION (LACERA)

MANAGEMENT APPRAISAL AND PERFORMANCE PLAN

TIER I SALARY STRUCTURE TABLES - LR SCHEDULE

Table LG - Effective January 1, 2016

Annual Salary
(amendments underlined)

Range	Minimum	Control Point	Maximum
LR 1	\$49,085	\$61,690	\$74,294
LR 2	\$52,767	\$66,317	\$79,867
LR 3	\$56,724	\$71,290	\$85,856
LR 4	\$60,978	\$76,637	\$92,296
LR 5	\$65,552	\$82,386	\$99,219
LR 6	\$70,468	\$88,563	\$106,658
LR 7	\$75,753	\$95,205	\$114,658
LR 8	\$81,435	\$102,346	\$123,258
LR 9	\$87,542	\$110,023	\$132,505
LR 10	\$94,108	\$118,275	\$142,442
LR 11	\$101,166	\$127,145	\$153,125
LR 12	\$108,753	\$136,680	\$164,606
LR 13	\$116,910	\$146,934	\$176,957
LR 14	\$125,678	\$157,953	\$190,229
LR 15	\$135,104	\$169,800	\$204,497
LR 16	\$145,237	\$182,535	\$219,834
LR 17	\$156,129	\$196,224	\$236,318
LR 18	\$167,839	\$210,943	\$254,046
LR 19	\$180,427	\$226,763	\$273,099
LR 20	\$193,959	\$243,771	\$293,582
LR 21	\$208,512	\$262,057	\$315,601
LR 22	\$224,151	\$281,711	\$339,271
LR 23	\$240,962	\$302,839	\$364,716
LR 24	\$259,034	\$325,552	\$392,070
LR 25	\$278,462	\$349,968	\$421,475
<u>LR 26</u>	<u>\$299,347</u>	<u>\$376,216</u>	<u>\$453,085</u>
<u>LR 27</u>	<u>\$321,798</u>	<u>\$404,432</u>	<u>\$487,067</u>
<u>LR 28</u>	<u>\$345,932</u>	<u>\$434,765</u>	<u>\$523,597</u>
<u>LR 29</u>	<u>\$371,877</u>	<u>\$467,372</u>	<u>\$562,867</u>
<u>LR 30</u>	<u>\$399,768</u>	<u>\$502,425</u>	<u>\$605,082</u>

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION (LACERA)
MANAGEMENT APPRAISAL AND PERFORMANCE PLAN
TIER I SALARY STRUCTURE TABLES - LR SCHEDULE
 Table LG - Effective January 1, 2016

Monthly Salary
(amendments underlined)

Range	Minimum	Control Point	Maximum
LR 1	\$4,090	\$5,141	\$6,191
LR 2	\$4,397	\$5,526	\$6,656
LR 3	\$4,727	\$5,941	\$7,155
LR 4	\$5,082	\$6,386	\$7,691
LR 5	\$5,463	\$6,865	\$8,268
LR 6	\$5,872	\$7,380	\$8,888
LR 7	\$6,313	\$7,934	\$9,555
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<u>LR 26</u>	<u>\$24,946</u>	<u>\$31,351</u>	<u>\$37,757</u>
<u>LR 27</u>	<u>\$26,816</u>	<u>\$33,703</u>	<u>\$40,589</u>
<u>LR 28</u>	<u>\$28,828</u>	<u>\$36,230</u>	<u>\$43,633</u>
<u>LR 29</u>	<u>\$30,990</u>	<u>\$38,948</u>	<u>\$46,906</u>
<u>LR 30</u>	<u>\$33,314</u>	<u>\$41,869</u>	<u>\$50,423</u>

**County Counsel Opinion
May 16, 1996**

Attachment



DE WITT W. CLINTON, COUNTY COUNSEL

COUNTY OF LOS ANGELES
OFFICE OF THE COUNTY COUNSEL
648 KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET
LOS ANGELES, CALIFORNIA 90012

COPY

TELEPHONE
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TELECOPIER
(213) 626-7446

May 16, 1996

Sally R. Reed
Chief Administrative Officer
713 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Re: Status of LACERA Employees

Dear Ms. Reed:

By memo dated April 5, 1996, you asked that we review the opinion provided to LACERA by the law firm of Morrison & Foerster regarding the classification and compensation of LACERA employees. In particular, you have asked for our opinions on the following questions:

1. Do we concur with the Morrison & Foerster opinion, including the conclusion that the Board of Supervisors must "without discretion" implement by ordinance the classification and compensation changes adopted by LACERA for its employees?
2. If LACERA employees are subject to the County Civil Service system, are they subject to the same classification system established and maintained by the County for County employees? If yes, are they subject to the same County administration of that system? Specifically, should classification actions affecting LACERA employees be subject to the approval of the County's Director of Personnel in the same manner and to the same extent that classification actions affecting all other County employees are subject to the approval of the Director of Personnel?

Sally R. Reed, Chief Administrative Officer
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3. If classification actions affecting LACERA employees are not subject to the approval of the Director of Personnel, does LACERA have the latitude to independently modify the classification plan by establishing new classes that are unique to LACERA? If yes, does LACERA have an obligation to apply the same classification policies and standards and generally exercise the same care exercised by the County in the approval of reclasses and the establishment of new classes?

4. Does LACERA have the latitude to establish separate pay rates for LACERA employees who hold positions in generic County-wide classes? For example, can LACERA establish a salary for Senior Clerk that is different from the salary the County has established for Senior Clerk? Can LACERA provide a different fringe benefit package for Senior Clerk?

5. Generally, what control, if any, does the Board of Supervisors have over the classification and compensation of LACERA employees?

6. Although the Morrison & Foerster opinion points to the effects of Proposition 162, it seems to base its opinion, in part, on interpretation of the 1937 Retirement Act. Are there potential changes to the 1937 Retirement Act, or other State law, that, if legislated, would give greater control to the Board of Supervisors over the classification and compensation of LACERA employees? If yes, what are those changes?"

Our opinions are as follows:

1. We concur with the Morrison & Foerster opinion, including the conclusion that the Board of Supervisors has a ministerial duty to adopt an ordinance implementing classification and compensation changes adopted by LACERA for its employees.

2. By statute, LACERA employees are subject to the civil service provisions of the County Charter and to the County's Civil Service Rules. They are not subject to the classification system maintained by the County for its employees, nor are classification actions affecting LACERA employees subject to the approval of the Director of Personnel.

Sally R. Reed, Chief Administrative Officer
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3. The LACERA boards may establish their own classification system, and may establish classes that are unique to LACERA. In doing so, they may establish their own classification policies and standards and are not bound by the County's classification policies and standards.

4. LACERA may establish different pay rates for LACERA employees who hold positions in generic County-wide classes, although we recommend that such classes be designated differently to avoid confusion. LACERA may also provide fringe benefits for its employees which are different from corresponding County classes. However, if changes in pay or benefits involve represented employees, LACERA would have an obligation to meet and confer with employee representatives before making such changes.

5. The Board of Supervisors has no direct control over the classification or compensation of LACERA employees. However, if the Board of Supervisors feels that the LACERA boards have abused their discretion with regard to the classification or compensation of LACERA employees in a manner which is detrimental to the County, the Board may seek judicial review of the LACERA action.

6. The County could seek to amend the 1937 Retirement Law to provide that LACERA classification and compensation decisions require Board of Supervisors' approval. However, the courts may well hold that such an amendment violates Proposition 162.

ANALYSIS

Answering your first question, we concur with the Morrison & Foerster opinion provided to LACERA, including the conclusion that the Board of Supervisors has a ministerial duty to implement by ordinance the classification and compensation changes adopted by LACERA for its employees. As noted in the Morrison & Foerster opinion, case law has made it clear that LACERA is a completely separate entity from the County, and this has been reemphasized by Proposition 162. In addition, the legislative history of Government Code Sections 31522.1 and 31580.2 makes it clear that the Legislature intended for the LACERA boards to have independent authority to select and compensate their employees without County oversight, and this has also been reemphasized by case law construing Proposition 162.

Sally R. Reed, Chief Administrative Officer
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Since we agree with the Morrison & Foerster opinion, we will not duplicate their analysis here. However, as noted in their opinion, and as we recall, the Board of Supervisors opposed the legislation giving personnel and budget authority to LACERA and lost, and the Board also urged the Governor to veto the legislation, but he did not. Hence, the County lost the legislative battle some 23 years ago, and the full effects are only now being felt.

LACERA employees are not County employees in any general sense. They are not County employees by virtue of the County Charter, which requires the Board of Supervisors to provide for the number, classification, compensation, and appointment of County employees. Nor do they meet the usual common-law tests relating to employees, since the County does not appoint, remove, direct, control, compensate or provide office space for them. Rather, LACERA employees are made County employees by statute for rather limited purposes primarily relating to the manner of their appointment and their tenure. Being County employees also allows them to participate in the retirement system and to receive County fringe benefits unless other benefits are established by the LACERA boards. This is not an unusual situation. For example, Government Code Section 53200.3 provides that for purposes of participating in group insurance plans, judges are County employees.

Government Code Section 31522.1 provides:

"The board of retirement and both the board of retirement and the board of investment may appoint such administrative, technical, and clerical staff personnel as are required to accomplish the necessary work of the boards. The appointments shall be made from eligible lists created in accordance with the civil service or merit system rules of the county in which the retirement system governed by the boards is situated. The personnel shall be county employees and shall be subject to the county civil service or merit system rules and shall be included in the salary ordinance or resolution adopted by the board of supervisors for the compensation of county officers and employees."

It is clear from Section 31522.1 that the LACERA boards are the appointing authority for LACERA employees, and that in making such appointments, they are bound by the County Civil Services rules, and that the employees have County civil service protection with regard to tenure.

Sally R. Reed, Chief Administrative Officer
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While Section 31522.1 is silent with regard to the classification of LACERA employees, it does provide that the LACERA boards "may appoint such administrative, technical, and clerical staff personnel as are required to accomplish the necessary work of the boards." (Emphasis added.) Since the LACERA boards are presumably in the best position to judge the types of employees necessary to accomplish their work, we believe that the Legislature intended to leave the question of classification up to them. They are also in the best position to determine the compensation levels necessary to recruit and retain qualified employees.

In that regard, Government Code Section 31580.2 provides:

"In counties where the board of retirement and board of investment have appointed personnel pursuant to Section 31522.1, the respective 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 shall not exceed eighteen-hundredths of 1 percent of the total assets of the retirement system."

Since LACERA and not the County compensates LACERA employees, we believe the Legislature intended the LACERA boards to set compensation levels for their employees. This is confirmed by the fact that Section 31522.1 requires that LACERA employees "be included in the salary ordinance or resolution adopted by the board of supervisors for the compensation of county officers and employees." If their classification and compensation was determined by the Board of Supervisors, they would automatically be included in the County salary ordinance or resolution and there would be no need for the quoted statutory language.

Since the Board of Supervisors plays no role in classifying LACERA positions or in setting LACERA salaries, and the language of Section 31522.1 is mandatory, we conclude that the Board has a ministerial duty to include LACERA classifications and compensation in the County salary ordinance.

Answering your second question, LACERA employees are subject to the County Civil Service system in the sense that they have Civil Service protection and must be appointed from eligible lists "created in accordance with the civil service or merit system rules of the county...."

Sally R. Reed, Chief Administrative Officer
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However, as noted above, they are not subject to the County's classification system and classification actions taken by LACERA are not subject to the approval of the Director of Personnel.

Answering your third question, LACERA has the latitude to independently modify the existing classification plan by establishing new classes that are unique to LACERA. In doing so, LACERA has no obligation to apply the County's classification policies and standards, but is free to establish its own policies and standards relating to the classification and reclassification of positions.

Answering your fourth question, LACERA has the latitude to establish separate pay rates for LACERA employees who hold positions in generic County-wide classes. However, to avoid confusion, we would recommend to LACERA that such positions be designated differently to distinguish them from their County counterparts. LACERA may also provide a different fringe benefit package for its employees, including members of generic County-wide classes. However, any changes in classification or compensation involving represented employees would require LACERA to meet and confer with employee representatives pursuant to the Meyers-Millias-Brown Act before taking any action. (We note that LACERA, as a separate entity, is not subject to ERCOM.)

Answering your fifth question, as noted above, the Board of Supervisors has no discretion with regard to the classification or compensation of LACERA employees, but merely has a ministerial duty to include them in the salary ordinance. However, if the Board of Supervisors feels that LACERA has abused its discretion in classifying or establishing compensation for LACERA employees, and that such action affects the County's contribution rate or is otherwise detrimental to the County, the Board of Supervisors may seek judicial review of the LACERA action.

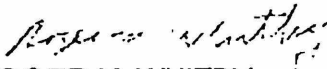
Answering your sixth question, the County could seek to amend the 1937 Retirement Law to provide that classification and compensation actions regarding LACERA employees are either performed by the County in the first instance or require the approval of the Board of Supervisors before they are implemented. However, LACERA would obviously oppose any such legislative changes, and if adopted, the courts might well hold that such requirements violate Proposition 162. Proposition 162

Sally R. Reed, Chief Administrative Officer
Page 7


vests "plenary authority" to administer the retirement system in the Board of Retirement, and the ability to classify and set compensation for employees may be inherent in that authority.

Very truly yours,

DE WITT W. CLINTON
County Counsel

By 
ROGER M. WHITBY
Senior Assistant County Counsel

APPROVED AND RELEASED:


DE WITT W. CLINTON
County Counsel

RMW:md

RMW6.1:96r-11.1tr



May 30, 2016

TO: Each Member
Board of Investments

FROM: Gregg Rademacher 
Chief Executive Officer

FOR: June 8, 2016 Board of Investments Meeting

SUBJECT: **INVESTMENTS OFFICE STAFF COMPENSATION STUDY**

RECOMMENDATIONS

It is recommended the Board of Investments:

1. Approve amending the current Management Appraisal and Performance Plan Tier I Salary Structure Table – LR Schedule, LG effective July 1, 2016 to include salary ranges LR26 through LR30.
2. Approve revising the Chief Investment Officer salary range from LR25 to LR28, effective July 1, 2016.
3. Direct staff to submit to the Board of Supervisors the necessary salary ordinance language to implement the revised Salary Structure Table and the Chief Investment Officer salary range.

EXECUTIVE SUMMARY

LACERA exists to support its participating County and district employers recruit and retain a qualified workforce through administering a defined benefit program for their employees. California State Law further recognizes a public obligation to county and district employees who become incapacitated by age or long service in public employment and its accompanying physical disabilities by making provisions for retirement compensation and death benefit as additional elements of compensation for future services and to provide a means by which public employees who become incapacitated may be replaced by more capable employees to the betterment of public service without prejudice and without inflicting a hardship upon the employees removed. Since its inception in 1938, LACERA has grown to serve over 160,000 members through its retirement, disability, and healthcare programs.

A critical component in providing these services is collecting contributions from employees and employers, investing the portfolio assets, and paying the promised benefits. From this perspective, LACERA can be viewed as a financial company with \$2 billion in annual contribution revenue, investing a \$48 billion investment portfolio, and paying \$2.5 billion in

retirement and disability benefits. In relation to its peer group, LACERA is the 34th largest US defined benefit pension plan (corporate and public) based upon assets under management.

The Board of Investments is responsible for investing retirement fund assets and shall do so with loyalty, care, skill, prudence, and diligence. The Investments Office staff and the Board's consultants work collaboratively to ensure the Board receives the proper investment support to fulfill its fiduciary duty. One crucial element in this support is the attraction and retention of qualified investment staff.

In September 2015, LACERA began actively recruiting for a Chief Investment Officer. Regrettably, our efforts have not attracted the highly qualified candidate pool we had hoped for at the onset of the project. One potential factor that may have led to this result is having a less than competitive compensation package. For example, is the salary offered by LACERA a hurdle in attracting candidates and do highly qualified candidates expect an incentive program? In March 2016, the decision was made to expand the search with the first task being to evaluate LACERA's compensation package in relation to the target labor market. A firm specializing in asset management compensation, McLagan Aon Hewitt (McLagan), was engaged in April 2016 to evaluate the Chief Investment Officer compensation along with the other investment office's investment positions, provide recommendations on competitive salary ranges, and to provide information on performance based incentive compensation programs. Michael Oak, McLagan Associate Partner, will be present at the June 8, 2016 meeting to present the report findings. A copy of their presentation is attached.

From reviewing the McLagan report, staff came to three conclusions. First, the Investment Office staff salaries are generally competitive for all positions except for the Chief Investment Officer (CIO) position. Staff recommends adjusting the Chief Investment Officer (CIO) position's current LR25 salary range (\$278,000 to \$421,000) by 22.5% so the salary range midpoint approximates the Competitive Composite's salary and incentive plan median salary in the McLagan report. This would equate to a LACERA salary range LR28 (\$346,000 to \$524,000).

Second, the McLagan recommended CIO competitive salary range does not exist in the current County Ordinance. Staff recommends expanding the salary table to include salary ranges LR26 through LR30. Along with the Board of Investments and the Board of Retirement's approval, this will necessitate the Board of Supervisors to adopt changes to the County Salary Ordinance.

Third, implementing a base salary adjustment for the CIO position may be a preferred course of action compared to implementing a performance based incentive compensation program for the CIO position and other Investments Office investment positions. As such, staff is not recommending LACERA develop a performance based incentive compensation program.

SALARY MARKET ADJUSTMENTS

From a big-picture perspective, the Board of Investments is responsible for investing a multi-billion dollar investment portfolio trust. The Board members have a fiduciary responsibility to manage the trust exclusively on behalf of the plan participants. This fiduciary responsibility, which is reaffirmed in California State Law, includes managing the assets with loyalty, care, skill, prudence, and diligence. The Board of Investments is unable to directly invest the entire portfolio on a day-to-day basis. As such, this duty must be delegated to some degree.

Since its inception, the Board of Investments has used a variety of business models to delegate investment responsibility that were appropriate for the conditions at the time. Originally, the Los Angeles County Treasurer Tax Collector provided the investment direction and support. As the investment assets grew in size and diversity, external investment managers played a more influential role in providing advice and direction. Within time, independent investment consultants were retained to ensure objectivity in oversight of the investment process. Eventually, the investment consultant industry began to expand services into the asset management market. The Board of Investments determined that hiring their own internal staff was the superior business model to ensure that the execution of the Board's Investment Policies was performed with the utmost independence and lack of conflict. The success of this business model is dependent on attracting and retaining top quality investment staff.

In 2006, LACERA's pay practices were at a tipping point. Failure to address a pay gap between LACERA and other competing employers in the labor market was impeding the ability to attract and retain qualified Investment Office staff. In a short period of time, the Investments Office lost four quality investment professionals to the public and private sector. In 2007, the Chief Executive Officer hired a compensation consultant to work with the Board of Investments in making compensation structure recommendations. At that time the Board of Investments and the Board of Retirement took action to adjust LACERA's investment professional salary ranges to remain competitive in the public retirement system labor market. These salary ranges are currently in effect.

To gain a firm understanding of today's labor market relevant to the LACERA Investment Office staff, we secured the services of McLagan Aon Hewitt (McLagan). Michael Oak, Associate Partner, and Maureen Reilly, Senior Analyst, brought forth significant research experience to analyze LACERA Investment Office salaries, including the results of their firm's recently completed public pension compensation studies for CalSTRS, CalPERS, Texas Teachers Retirement System, Oregon State Treasury, State of Washington, Virginia Retirement System, State of Wisconsin, Mass PRIM, New York City, New York State Common, Contra Costa, and San Bernardino, and custom survey data developed from public, corporate, and private sector retirement plans. It is worth highlighting the relevance of including compensation trends in the

corporate plan, endowment, and foundation sectors as we are competing for talent alongside these types of organizations.

Leveraging this information set, McLagan developed a weighted comparator group comprised of a custom peer group of large externally managed public funds at the 75th salary percentile (50% weight), all public funds at the 75th salary percentile (25% weight), and corporate, endowments, and foundations at the 25th salary percentile (25% weight). This comparator group is referred to as the Competitive Composite in the McLagan reports. Details of the participating public retirement systems may be found in the attached McLagan presentation materials. The advisory firms, investment management firms, banks, and insurance companies were specifically excluded from the Competitive Composite.

The report concludes the Investments Office salary ranges remain competitive within the Competitive Composite with the exception of the Chief Investment Officer (CIO) position. This conclusion is corroborated by our recent CIO recruiting experience where a number of candidates expressed interest in the CIO position, however, withdrew upon exploring the salary range coupled with the high cost-of-living in Los Angeles, and a general understanding that we are in a tightening labor market cycle with LACERA facing tougher competition for qualified candidates.

The following recommendation is a practical application of the McLagan compensation study results (please see attached presentation materials) to the salary structure to be defined in the Los Angeles County and Civil Service Code.

Chief Investment Officer. The McLagan compensation study found the median compensation for the Competitive Composite survey data of Chief Investment Officers to be \$365,000 per year straight salary and \$415,000 per year including incentive bonus. Exercising their judgment, McLagan concluded a salary range with a \$400,000 median (range \$320,000 to \$480,000) would be a reasonable balance between a straight salary and a salary where a portion is at risk.

The current base pay range for the LACERA CIO is LR25: \$278,000 to \$421,000. This is below the market average and could be placing LACERA at a disadvantage to attract and retain CIO candidates. A reasonable change to the CIO position salary would be to target the McLagan Competitive Composite median salary recommendation of \$320,000 to \$480,000. This would be a 15% range increase from the current LR25 salary range and translates to a LR27 salary range of \$322,000 to \$487,000.

Another reasonable CIO compensation approach would be to target the CIO position's median salary range at the Competitive Composite median salary (50th percentile) that includes salary and incentive pay. This would be a 22.5% range increase from the current LR25 salary range and translates to a LR28 salary range of \$346,000 to \$524,000.

Staff recommends the LACERA Boards revise the CIO pay range to R28: \$346,000 to \$524,000. Staff believes this is a reasonable compensation level with regards to the labor market and may improve our recruitment outcomes. Please see Attachment B for a graphical depiction of the current and proposed salary ranges.

LOS ANGELES COUNTY SALARY ORDINANCE

Section 31522.1 of the Retirement Law provides that employees of the system be included in the salary ordinance or resolution adopted by the Board of Supervisors. In the past, the County Counsel has advised that the Board of Supervisors has a ministerial duty to adopt the positions and salary levels that are determined necessary by LACERA’s Boards of Retirement and Investments.

Staff recommends amending the LACERA Tier 1 Salary Table from the current maximum LR25 salary range to incorporate an additional five salary ranges. Each salary range is 7.5% greater than the proceeding salary range with each salary range maximum being approximately 50% more than the range starting salary. It is important to note the County salary schedules do not go beyond range 25. Expanding the LACERA salary range table to include ranges 26 through 30 will require a collaborative educational effort with the County Executive, County Counsel, and Board of Supervisor staff. Amended salary tables for Los Angeles County Code section 6.26.040 County of Los Angeles Salary Tables are presented as Attachment C. Please note the salary table with annual amounts is included for informational purposes only as the County Code only includes the monthly salary tables.

Additionally, the Los Angeles County Code section 6.28.050 will need to be revised to identify the new Chief Investment Officer salary range. The proposed amendment is as follows:

Item No.	Title	Effective Date	Note	Salary
0493	Chief Investment Officer, LACERA (UC)	01/01/2009	N23	LR25
		01/16/2014	N23	LR25
		01/01/2015	N23	LR25
		01/01/2016	N23	LR25
		<u>07/01/2016</u>	<u>N23</u>	<u>LR28</u>

PERFORMANCE BASED COMPENSATION PROGRAM

Prior to the Great Recession, there was a growing trend to compensate government pension investment professionals using both base pay and a performance based incentive compensation plan. While a performance compensation plan has advantages (bonuses highly regarded by employees) and disadvantages (stakeholder criticism), it would be reasonable to evaluate its

application to Investments Office staff compensation structure. This compensation structure is generally used in public retirement systems with substantial internal investment portfolios. Due to LACERA outsourcing nearly all of its investments, the current investment positions (excluding the CIO position) being competitive in relation to the McLagan Competitive Composite, and having only a portion of the Investment Office team compensated with a performance pay component may impact team morale, staff recommends the Board consider and reject implementing a performance based compensation program.

CONCLUSION

The Board of Investments is responsible for investing LACERA's \$48 billion investment portfolios with a fiduciary duty of loyalty and care. The Board requires support in fulfilling this responsibility and chooses to hire expert consultants and employ investment professionals. In the on-going Chief Investment Officer search, it has become evident LACERA should reassess its Investments Office compensation structure to ensure it can remain competitive in attracting and retaining its Investments Office staff. A compensation consultant, McLagan Aon Hewitt, provided an Investment Staff Competitive Pay Analysis that concluded the Investments Office staff salary ranges are competitive with the Competitive Composite (a weighted composite of public pension plan, corporate plan, endowment, and foundation investment salary ranges) with the exception of the CIO position. Staff recommends amending the current salary table to expand the number of salary ranges and to increase the CIO salary range by 3 salary ranges (22.5%). This results in a CIO salary range that equates to the comparator group for salary and incentive based pay at the 50th percentile.

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD:

1. Approve amending the current Management Appraisal and Performance Plan Tier I Salary Structure Table – LR Schedule, LG effective July 1, 2016 to include salary ranges LR26 through LR30.
2. Approve revising the Chief Investment Officer salary range from LR25 to LR28, effective July 1, 2016.
3. Direct staff to submit to the Board of Supervisors the necessary salary ordinance language to implement the revised Salary Structure Table and the Chief Investment Officer salary range.

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION (LACERA)

MANAGEMENT APPRAISAL AND PERFORMANCE PLAN

TIER I SALARY STRUCTURE TABLES - LR SCHEDULE

Table LG - Effective January 1, 2016

Annual Salary
(amendments underlined)

Range	Minimum	Control Point	Maximum
LR 1	\$49,085	\$61,690	\$74,294
LR 2	\$52,767	\$66,317	\$79,867
LR 3	\$56,724	\$71,290	\$85,856
LR 4	\$60,978	\$76,637	\$92,296
LR 5	\$65,552	\$82,386	\$99,219
LR 6	\$70,468	\$88,563	\$106,658
LR 7	\$75,753	\$95,205	\$114,658
LR 8	\$81,435	\$102,346	\$123,258
LR 9	\$87,542	\$110,023	\$132,505
LR 10	\$94,108	\$118,275	\$142,442
LR 11	\$101,166	\$127,145	\$153,125
LR 12	\$108,753	\$136,680	\$164,606
LR 13	\$116,910	\$146,934	\$176,957
LR 14	\$125,678	\$157,953	\$190,229
LR 15	\$135,104	\$169,800	\$204,497
LR 16	\$145,237	\$182,535	\$219,834
LR 17	\$156,129	\$196,224	\$236,318
LR 18	\$167,839	\$210,943	\$254,046
LR 19	\$180,427	\$226,763	\$273,099
LR 20	\$193,959	\$243,771	\$293,582
LR 21	\$208,512	\$262,057	\$315,601
LR 22	\$224,151	\$281,711	\$339,271
LR 23	\$240,962	\$302,839	\$364,716
LR 24	\$259,034	\$325,552	\$392,070
LR 25	\$278,462	\$349,968	\$421,475
<u>LR 26</u>	<u>\$299,347</u>	<u>\$376,216</u>	<u>\$453,085</u>
<u>LR 27</u>	<u>\$321,798</u>	<u>\$404,432</u>	<u>\$487,067</u>
<u>LR 28</u>	<u>\$345,932</u>	<u>\$434,765</u>	<u>\$523,597</u>
<u>LR 29</u>	<u>\$371,877</u>	<u>\$467,372</u>	<u>\$562,867</u>
<u>LR 30</u>	<u>\$399,768</u>	<u>\$502,425</u>	<u>\$605,082</u>

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION (LACERA)
MANAGEMENT APPRAISAL AND PERFORMANCE PLAN
TIER I SALARY STRUCTURE TABLES - LR SCHEDULE
 Table LG - Effective January 1, 2016

Monthly Salary
(amendments underlined)

Range	Minimum	Control Point	Maximum
LR 1	\$4,090	\$5,141	\$6,191
LR 2	\$4,397	\$5,526	\$6,656
LR 3	\$4,727	\$5,941	\$7,155
LR 4	\$5,082	\$6,386	\$7,691
LR 5	\$5,463	\$6,865	\$8,268
LR 6	\$5,872	\$7,380	\$8,888
LR 7	\$6,313	\$7,934	\$9,555
LR 8	\$6,786	\$8,529	\$10,271
LR 9	\$7,295	\$9,169	\$11,042
LR 10	\$7,842	\$9,856	\$11,870
LR 11	\$8,430	\$10,595	\$12,760
LR 12	\$9,063	\$11,390	\$13,717
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LR 24	\$21,586	\$27,129	\$32,672
LR 25	\$23,205	\$29,164	\$35,123
<u>LR 26</u>	<u>\$24,946</u>	<u>\$31,351</u>	<u>\$37,757</u>
<u>LR 27</u>	<u>\$26,816</u>	<u>\$33,703</u>	<u>\$40,589</u>
<u>LR 28</u>	<u>\$28,828</u>	<u>\$36,230</u>	<u>\$43,633</u>
<u>LR 29</u>	<u>\$30,990</u>	<u>\$38,948</u>	<u>\$46,906</u>
<u>LR 30</u>	<u>\$33,314</u>	<u>\$41,869</u>	<u>\$50,423</u>

FOR INFORMATION ONLY

June 27, 2016

TO: Each Member,
Board of Investments

Each Member,
Board of Retirement

FROM: John R. Harrington 
Staff Counsel

FOR: July 13, 2016 Board of Investments Meeting
July 14, 2016 Board of Retirement Meeting

SUBJECT: SB 272 (Government Code §6270.5) Catalog of Enterprise Systems

Governor Brown signed SB 272 into law on October 11, 2015. SB 272 creates §6270.5, a new section to Government Code §6250 et. seq., the “California Public Records Act”. SB 272 declares that in moving government to a more effective digital future, standards should be adopted to ensure that data collection and publication are made more uniform. SB 272 provides a mechanism to further this objective by increasing the transparency of certain systems used by local public agencies.

SB 272 requires that LACERA, like all local public agencies, publishes a catalog of its “enterprise systems” on its web page and makes the catalog available to the public before July 1, 2016. SB 272 defines an enterprise system as a software application or computer system that collects, stores, exchanges, and analyzes information that the agency uses that is both (a) a multi-departmental system, or a system that contains information collected about the public, and (b) an original source of data within an agency.

SB 272 requires that LACERA documents the following information about each enterprise system:

- (1) Current system vendor.
- (2) Current system product.
- (3) A brief statement of the system’s purpose.
- (4) A general description of categories or types of data.
- (5) The department that serves as the system’s primary custodian.
- (6) How frequently system data is collected.
- (7) How frequently system data is updated.

The statute requires that the catalog be updated annually.

Exceptions to the posting of enterprise systems are included in SB 272:

- (A) Information technology security systems, including firewalls and other cybersecurity systems.
- (B) Physical access control systems, employee identification management systems, video monitoring, and other physical control systems.
- (C) Infrastructure and mechanical control systems, including those that control or manage street lights, electrical, natural gas, or water or sewer functions.
- (D) Systems related to 911 dispatch and operation or emergency services.
- (E) Systems that would be restricted from disclosure pursuant to §6254.19 (which covers documents or information that would reveal a system vulnerability or increase the likelihood of an attack on a system).
- (F) The specific records that the information technology system collects, stores, exchanges, or analyzes.

A general exemption built into SB 272 includes a “balancing test” that if, on the facts of the particular case, the public interest served by not disclosing the information clearly outweighs the public interest served by disclosure of the record, LACERA may instead provide a system name, brief title, or identifier of the system.

To comply with the SB 272 requirements, the Systems Division has worked in conjunction with the Legal Division to create the attached catalog of enterprise systems. The catalog was available on LACERA’s web site prior to the July 1, 2016 deadline.

SB 272 requires that LACERA post the catalog of enterprise systems in a prominent location on the web site. Initially, this prominent position is on LACERA’s “splash” or main page. The Legal Division is currently working with the Systems Division and the Communications Division to develop a public records page on lacera.com to provide convenient access to the SB 272 catalog as well as other important LACERA information and documents.

Once the public records page is live and added to lacera.com, the catalog will have a permanent home. The actions that staff has taken ensure that LACERA is, and will remain, fully compliant with the new SB 272 requirements.

Reviewed and Approved:



Steven P. Rice
Chief Counsel

Attachment: SB 272 Catalog of LACERA Enterprise Systems

cc: Gregg Rademacher
Robert Hill
John Popowich
James Pu

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ABOUT LACERA

Who We Are

Board of Retirement

Board of Investments

Public Records Act:
SB 272

Retirement Law

CEO at Pension
Committee

Organizational Chart

Mission

Vision

Values

Ethics & Education
Policies

Awards

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PUBLIC RECORDS ACT: SB 272

The "Disclosure of Enterprise Systems Information" chart is a catalog of the software applications and computer systems ("Product") that LACERA currently uses to manage data. Also listed are the vendor, the product's purpose, a description of the data it manages, the LACERA division that serves as the primary custodian, and how often the data is collected and updated. This information is provided in compliance with Senate Bill No. 272 (Government Code Section 6270.5), effective July 1, 2016.

https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201520160SB272

Disclosure of Enterprise Systems Information

Government Code §6270.5 (SB 272) | Updated 06/14/2016

Vendor	Product	Purpose	Data Type	Custodian	Frequency	
					Collected	Updated
Microsoft	Dynamics GP	Business Accounting	Financial Data	Accounting	Daily	Daily
EMC	Documentum	Operational Document Mgmt	Documents	Systems	Daily	Daily
IBM	FileNet	Operational Document Mgmt	Documents	Systems	Daily	Daily
Microsoft	SQL	Database	Operational Data	Systems	Daily	Daily
IBM	P8	Operational Document Mgmt	Operational Data	Systems	Daily	Daily
IBM	DB2	Database	Operational Data	Systems	Daily	Daily
LACERA	Membership System	Benefit Payment Processing	Various	Systems	Daily	Daily
Microsoft	Office Suite	Office Automation	Various	Systems	Daily	Daily
*Email	*Email	Communications	Email	Systems	Daily	Daily

*As provided in Government Code §6270.5 (e) the public interest served by not disclosing the email vendor and specific product name in these sections clearly outweighs the public interest served by disclosure of the record. The public does not benefit by knowing the vendor name and exact product. This information could be used to attempt to exploit the system; therefore LACERA has included a system name, brief title, or identifier of the system. LACERA also relies upon Government Code §6254.19 to exempt the disclosure of records that would reveal vulnerabilities to, or otherwise increase the potential for an attack on, an information technology system of a public agency.



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**



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