

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, AUGUST 11, 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 July 14, 2016
- IV. REPORT ON CLOSED SESSION ITEMS
- V. OTHER COMMUNICATIONS
 - A. For Information
 - 1. June 2016 All Stars
 - 2. Chief Executive Officer's Report
(Memo dated August 2, 2016)
- VI. PUBLIC COMMENT
- VII. NON-CONSENT AGENDA
 - A. Recommendation as submitted by Barry W. Lew, Legislative Affairs Officer: That the Board review and comment on the draft of the proposed Legislative Policy. (Memo dated August 1, 2016)

VII. NON-CONSENT AGENDA (Continued)

- B. Recommendation as submitted by Joseph Kelly, Chair, Audit Committee: That the Board 1) Direct staff to retain Plante & Moran, PLLC for a five year agreement to provide attest audits beginning January 1, 2017 and ending December 31, 2021, with a two year extension at LACERA's option, and consistent with the terms of the RFP's *Statement of Work* and the proposal submitted by Plante Moran; and 2) Authorize LACERA's Chief Executive Officer to sign all necessary legal documents to execute the resultant agreement, subject to review and approval by LACERA's Legal Office.
(Memo dated August 3, 2016)
- C. Recommendation as submitted by Joseph Kelly, Chair, Operations Oversight Committee: That the Board approve the "Policy for Processing Correspondence Addressed to Board of Retirement Members". (Memo dated July 25, 2016)
- D. Recommendation as submitted by Joseph Kelly, Chair, Operations Oversight Committee: That the Board approve the "Records and Information Management Policy". (Memo dated August 1, 2016)
- E. Discussion and possible action as submitted by Steven P. Rice, Chief Counsel, regarding changing the Operations Oversight Committee meeting schedule. (Memo dated August 1, 2016)
- F. For Information Only as submitted by Steven P. Rice, Chief Counsel, regarding the status report on Privacy Audit.
(Memo dated August 1, 2016)
- G. For Information Only as submitted by Fern M. Billingsy, Senior Staff Counsel, regarding reciprocal member issues.
(Memo dated August 1, 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 Lamberto R. Villarroel

- B. Conference with Legal Counsel - Pending Litigation
Significant Exposure to Litigation (Pursuant to Paragraph (1) of
Subdivision (d) of California Government Code Section 54956.9)

1. Sarah Marks vs. LACERA

Los Angeles Superior Court Case No. BC 598957

2. Marina Wingenbach vs. LACERA, et. al.

Los Angeles Superior Court Case No. BC 593615

3. Tod Hipsher vs. LACERA, et. al.

Los Angeles Superior Court Case No. BS 153372

XI. ADJOURNMENT

Documents subject to public disclosure that relate to an agenda item for an open session of the Board of Retirement that are distributed to members of the Board of Retirement less than 72 hours prior to the meeting will be available for public inspection at the time they are distributed to a majority of the Board of Retirement Members at LACERA's offices at 300 N. Lake Avenue, Suite 820, Pasadena, CA 91101, during normal business hours of 9:00 a.m. to 5:00 p.m. Monday through Friday.

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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, JULY 14, 2016

PRESENT: Shawn R. Kehoe, Chair
Vivian H. Gray, Vice Chair
William de la Garza, Secretary
Marvin Adams
Anthony Bravo
Yves Chery
Joseph Kelly
David L. Muir (Alternate Retired)
Les Robbins
William Pryor (Alternate Member)
Ronald A. Okum (Arrived at 9:01 a.m.)

STAFF ADVISORS AND PARTICIPANTS

Gregg Rademacher, Chief Executive Officer
Robert Hill, Assistant Executive Officer
Steven P. Rice, Chief Counsel
Michael D. Herrera, Senior Staff Counsel

STAFF ADVISORS AND PARTICIPANTS (Continued)

Jill P. Rawal, Staff Counsel

Barry W. Lew, Legislative Affairs Officer

Cassandra Smith, Director, Retiree Healthcare Division

John Nogales, Division Manager, Human Resources

Scott Stephens, LACERA Member

Esther Acosta – Perez, LACERA Member

David Green, Board of Investments Chair

Michael Oak, Associate Partner, McLagan

I. CALL TO ORDER

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

II. PLEDGE OF ALLEGIANCE

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

III. APPROVAL OF MINUTES

A. Approval of the Minutes of the Regular Meeting of June 9, 2016

(Mr. Okum arrived at 9:01 a.m.)

Mr. Chery made a motion, Mr. de la Garza seconded, to approve the minutes of the regular meeting of June 9, 2016. The motion passed unanimously.

IV. REPORT ON CLOSED SESSION ITEMS

No items were reported.

V. OTHER COMMUNICATIONS

A. For Information

1. May 2016 All Stars

Mr. Hill announced the eight winners for the month of May: Ramon Reyes, Jay Fullwood, Laura Garcia, Marilu Bretado, Carl Potts, Norma Minjarez, Jan Bautista, and Renee Henry for the Employee Recognition Program and Debra Delgado for the Webwatcher Program. Victor Tafolla, Rachel Sacramento, Anthony Batiste, and Maria Silva were the winners of LACERA's RideShare Program.

2. Chief Executive Officer's Report (Memo dated July 5, 2016)

Mr. Rademacher shared that effective August 2016 the appeal cases will be available electronically.

In addition, Mr. Rademacher invited the Board to LACERA's Summer Sports Spectacular on July 16th hosted by the Employee Council Team.

Lastly, Mr. Rademacher shared that he will be attending the NASRA Conference and will not be present at the next Board of Retirement meeting on Thursday, August 11, 2016.

VI. PUBLIC COMMENT

LACERA members, Scott Stephens and Esther Acosta - Perez, addressed the

VI. PUBLIC COMMENT (Continued)

Board regarding their case.

Lastly, the Board of Investments Chair, David Green, shared his comments regarding Item VII. G.

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)

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

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

- 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)

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

Mr. Muir made a motion, Mr. de la Garza seconded, to approve the recommendation.

Mr. Kelly made a substitute motion, Ms. Gray seconded, to take an “Oppose” position. The motion passed (roll call) with Messrs. Kelly, Adams, Bravo, Chery, and Ms. Gray voting yes; and Messrs. Okum, Robbins, de la Garza, and Chair Kehoe voting no.

VII. NON-CONSENT AGENDA (Continued)

- 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)

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

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

- 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)

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

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

- 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)

Mr. Kelly recused himself from participating in or voting on this Item and left the meeting room.

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

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

VII. NON-CONSENT AGENDA (Continued)

- 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)

Ms. Smith was present to answer questions from the Board.

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

- 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)

Michael Oak, Associate Partner for McLagan, provided a brief presentation to the Board. Mr. Rademacher and Mr. Nogales were also present to answer questions from the Board.

Mr. Adams made a motion, Chair Kehoe seconded, to approve the recommendation. The motion passed with Mr. Kelly voting no.

VII. NON-CONSENT AGENDA (Continued)

- 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)

This item was received and filed.

VIII. REPORT ON STAFF ACTION ITEMS

There was nothing to report on staff action items.

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

Mr. Kelly introduced the staff members enrolled in the TTC Mentor Program.

Chair Kehoe acknowledged and thanked Freddie Verzosa for conducting a retirement workshop that was well received by his department.

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

The Board met in Executive Session pursuant to Government Code Section 54956.9 in regards to the anticipated litigation of the above mentioned cases. The Board voted unanimously to grant the appeals in the Stephens and Acosta-Perez cases. In the case of Masto, the Board provided direction to counsel.

July 14, 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 July 13, 2016)
2. LACERA Legislative Report – Other (Dated July 13, 2016)
3. LACERA Legislative Report – Federal (Dated July 13, 2016)
4. Investment Office Staff Current Compensation (Memo dated July 5, 2016) (Confidential – For Your Information)

XI. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned in memory of Sylvia Carmody Miller at 11:25 a.m.

WILLIAM DE LA GARZA, SECRETARY

SHAWN R. KEHOE, CHAIR



August 2, 2016

TO: Each Member
Board of Retirement
Board of Investments

FROM: Gregg Rademacher 
Chief Executive Officer

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

My LACERA Portal Updated

On July 18, 2016, the Systems Division released the newly designed My LACERA member portal. The new My LACERA features a modernized design that is very appealing visually and easier to use than ever. The new design replaces the static art work that has graced the pages of the portal with pictures of people from a variety of ethnic backgrounds and age ranges living active and vibrant lives. This important change really conveys a sense of unity and inclusiveness demonstrating that LACERA recognizes we represent a diverse membership base that remains active throughout their lives.

The new design features a larger, easier to read type font. The side menu has been relocated to the top of the page, and the long list of options has been narrowed down to easy to understand basic categories that depend on your member status (actively employed or retired).

This version of the member portal features a major new milestone for our website. It is the first part of lacera.com that features a dynamically responsive design that allows the website to adjust to screen size of the device you use to access My LACERA. If you are on a desktop, you'll get the full-screen version, which adjusts to the size of your browser window. If you happen to be a tablet user, you'll get a screen that has all the same functionality as the full-screen version but is adjusted to fit the size of your tablet. Likewise, the site will adjust to the smaller screens on Smartphones.

I would like to recognize the team work and collaboration between our Systems Division and Communications Division that led to the meeting of this important milestone.

Payment Requests Verified Against Contract Management System

The Administrative Services Division achieved an important milestone in our efforts to improve contract management and compliance. Beginning in July of 2016, staff in Administrative Services launched a new process to verify all payment requests using our Contract Management System. All payment requests filter through our Administrative Services Budget Team to ensure they match budget line items. An additional step has been added to move the payment requests through our Records and Information Management (RIM) Unit for validation with the new Contract Management System. RIM staff are now verifying that payment requests match open contracts and are in compliance with the contract payment terms in relation to rates and expected expenditures. Any payment requests not in compliance are returned to the contract administrator and reported to management. This important step allows management the confidence that payments are only issued for valid open contracts that are in compliance with the organization's expectations.

GR: jp
CEO report Aug 2016.doc

Attachments

LACERA's KEY BUSINESS METRICS

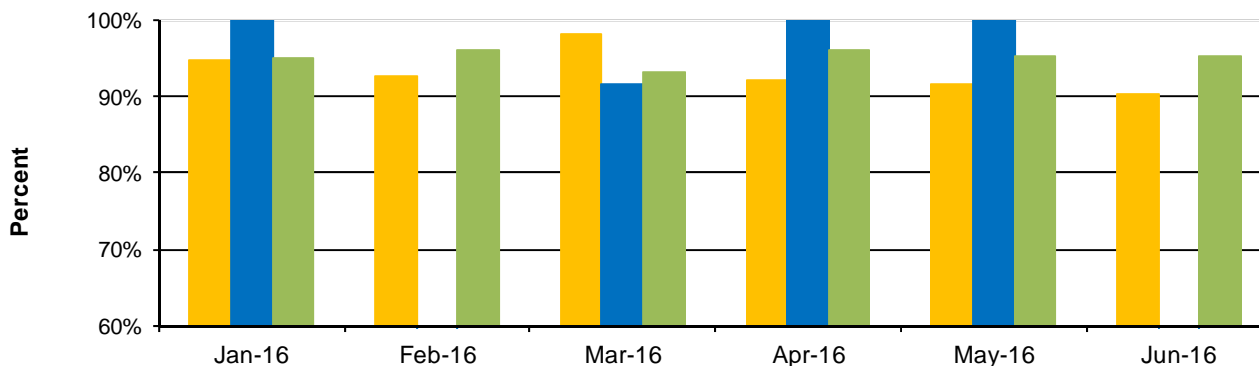
OUTREACH EVENTS AND ATTENDANCE

Type	# of WORKSHOPS		# of MEMBERS	
	Monthly	YTD	Monthly	YTD
Benefit Information	13	167	384	6,421
Mid Career	5	15	159	554
New Member	17	139	307	2,996
Pre-Retirement	13	101	244	2,273
General Information	0	12	0	598
Retiree Events	2	8	266	571
Member Service Center	Daily	Daily	1,399	17,838
TOTALS	50	442	2,759	31,251

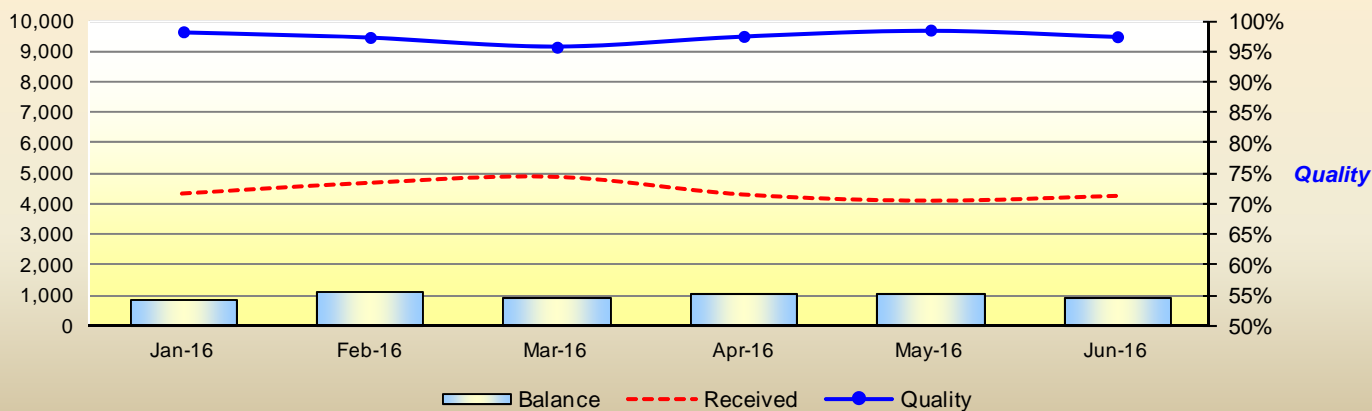
Outreach Surveys

Note: No Member Service Center surveys were received for February 2016.

■ Call Center
■ Member Service Center
■ Workshops



Benefits and Member Services Production and Quality Summary (Rolling 6 Months)



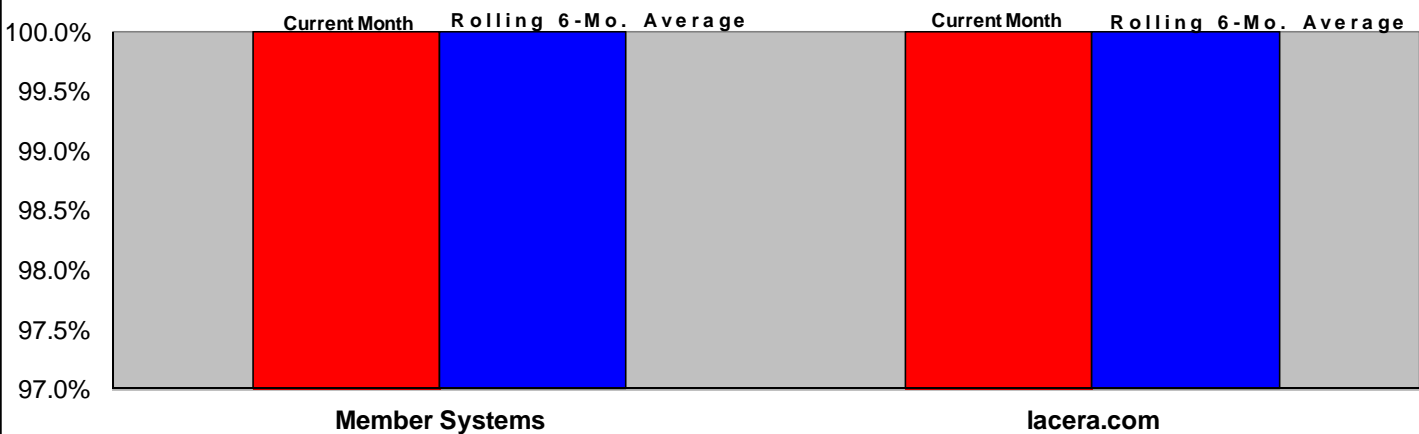
Member Services Contact Center			RHC Call Center	Top Calls
Overall Key Performance Indicator (KPI)	93.77%			
Category	Goal	Rating		
Call Center Monitoring Score	95%	94.84%	99.00%	<u>Member Services</u>
Grade of Service (80% in 60 seconds)	80%	60%	30%	1) Workshop Info/Appointments. Inquiry
Call Center Survey Score	90%	90.41%	xxxxx	2) Benefit Pmts. – Gen. Inquiry/Payday
Agent Utilization Rate	65%	66%	87%	3) Death: Benefit Explanation
Number of Calls	10,063		4,565	<u>Retiree Health Care</u>
Calls Answered	9,208		3,943	1) Medical Benefits – General Inquiries
Calls Abandoned	855		629	2) Turning Age 65/Part B Premium
Calls-Average Speed of Answer	00:01:57		04:19	Reimbursement
Number of Emails	262		238	3) Medical-New Enroll/Change/Cancel
Emails-Average Response Time	05:49:21		1	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	486	xxxxxxx		On Hand	143	xxxxxxx
Received	44	510		Received	3	45
Re-opened	0	3		Administratively Closed/Rule 32	5	54
To Board – Initial	36	428		Referee Recommendation	1	31
Closed	8	63		Revised/Reconsidered for Granting	1	15
In Process	486	486		In Process	139	139

SYSTEMS AVAILABILITY - JUNE 2016



Active Members as of 8/1/16		Retired Members/Survivors as of 8/1/16			Retired Members	
		Retirees	Survivors	Total		
General-Plan A	240	19,266	4,725	23,991	Monthly Payroll	246.68 Million
General-Plan B	93	687	63	750	Payroll YTD	2.92 Billion
General-Plan C	86	424	58	482	Monthly Added	227
General-Plan D	46,791	11,788	1,107	12,895	Seamless %	99.56
General-Plan E	20,826	11,038	924	11,962	YTD Added	3,766
General-Plan G	15,051	4	0	4	Seamless YTD %	99.68
Total General	83,087	43,207	6,877	50,084	Direct Deposit	95.00%
Safety-Plan A	10	5,836	1,576	7,412		
Safety-Plan B	11,309	4,301	223	4,524		
Safety-Plan C	1,259	1	0	1		
Total Safety	12,578	10,138	1,799	11,937		
TOTAL ACTIVE	95,665	TOTAL RETIRED	53,345	8,676	62,021	

Health Care Program (YTD Totals)		
	Employer Amount	Member Amount
Medical	436,343,684	38,580,211
Dental	36,917,704	3,949,400
Med Part B	49,991,492	xxxxxxxxxx
Total Amount	\$523,252,880	\$42,529,611

Health Care Program Enrollments	
Medical	47,569
Dental	48,634
Med Part B	30,959
Long Term Care (LTC)	751

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
August, 2016	
9-12	CALAPRS (California Association of Public Retirement Systems) Principles of Pension Management Pepperdine University
21-23	NCPERS (National Conference on Public Employee Retirement Systems) Public Pension Funding Forum New Haven, CT
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
23-26	NCPERS (National Conference on Public Employee Retirement Systems) Public Safety Conference Las Vegas, NV
23-27	AHIP (America’s Health Insurance Plans) Medicare Conference Washington D.C.

August 1, 2016

TO: Each Member
Board of Retirement
Board of Investments

FROM: Barry W. Lew 
Legislative Affairs Officer

FOR: August 11, 2016 Board of Retirement Meeting
September 14, 2016 Board of Investments Meeting

SUBJECT: **LACERA Legislative Policy Review**

RECOMMENDATION

That the Board of Retirement and Board of Investments review and comment on the draft of the proposed Legislative Policy.

DISCUSSION

At the Board of Investments meeting on July 13, 2016 and the Board of Retirement meeting on July 14, 2016, your Boards approved the work plan outlined by staff to redevelop the currently separate legislative policies into a single-source policy document. The work plan includes a review of the draft policy by your Boards in order to propose revisions.

Attached is a draft of the proposed Legislative Policy for your review and comment. A final draft with the incorporated revisions will be presented to your Boards at your regularly scheduled meetings in October for final approval.

IT IS THEREFORE RECOMMENDED THAT YOUR BOARDS review and comment on the draft of the proposed Legislative Policy.

Reviewed and Approved:



Steven P. Rice, Chief Counsel

Attachment

2016. Legislative Policy.BOR.BOI.080116

LACERA LEGISLATIVE POLICY

Restated and Approved:

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Statement of Mission and Purpose

The Los Angeles County Employees Retirement Association (LACERA) was established under the County Employees Retirement Law of 1937 (CERL) and administers retirement benefits provided by CERL and the California Public Employees' Pension Reform Act of 2013 (PEPRA). LACERA is governed by the Board of Retirement and the Board of Investments. The Boards have plenary authority and fiduciary responsibility for the system as provided by Section 17 of Article XVI of the California Constitution and in CERL. The Boards have the sole and exclusive fiduciary responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to its members and beneficiaries.

The existence of LACERA and the fiduciary responsibility of its governing Boards are embodied in the organizational mission to *produce, protect, and provide the promised benefits*.

Each element of our mission informs the foundation of this Legislative Policy:

- *Produce* the highest quality of service for our members and sponsors.
- *Protect* the promised benefits through prudent investment and conservation of plan assets.
- *Provide* the promised benefits.

LACERA's retirement plan benefits are provided by CERL, PEPRA, and other provisions under the California Government Code. As a tax-qualified defined benefit plan, LACERA is also subject to federal law under the Internal Revenue Code. The value to our members of the benefits administered by LACERA may also be affected by other provisions of state and federal law. Changes to provisions that affect LACERA are achieved through the state and federal legislative process and through forms of direct democracy by California voters, which include ballot initiatives and referenda. It is also intended that this policy cover state and federal rulemaking, although such action takes place within the Executive branch of government rather than the Legislative. These various proposals, whether submitted through the state or federal legislative process or through rulemaking, may enhance or detract from LACERA's administrative capability and mission; they may also further or infringe upon the Boards' fiduciary responsibilities, member rights and benefits, or LACERA's mission. As such, the Boards will proactively monitor such proposals and voice its position regarding proposals as described in this policy.

LACERA may identify issues that it determines to pursue through sponsorship of legislative proposals. The scope of such issues may vary in applicability to LACERA only or also to other public retirement systems. The diversity of public retirement plans within California implies a diversity of issues that may overlap with or have impact upon

other public retirement systems. Consequently, the Boards may directly sponsor legislation or they may co-sponsor legislation with other public retirement systems, through the State Association of County Retirement Systems, or with other parties that may have an alignment of interest with LACERA with respect to an issue or proposal.

The purpose of this Legislative Policy is to:

- Establish legislative policy standards to guide staff in making recommendations regarding legislative proposals to the Boards.
- Define the range of positions that the Boards may take with respect to legislative proposals.
- Establish a standard memorandum format to provide legislative analysis and recommendations to the Boards.
- Define circumstances in which the Board may need to communicate a position regarding a legislative proposal before the proposal is considered at a regularly scheduled Board meeting.
- Establish guidelines for staff and Board actions related to ballot measures.
- Provide for status reports of LACERA's legislative advocacy efforts.

The overall goal of this policy is to provide the Boards with flexibility to pursue legislative action on any and all issues that the Boards may view as affecting LACERA's mission.

This policy shall be reviewed by the Board of Retirement and Board of Investments biannually at the end of each two-year legislative session and may be amended by action of both Boards at any time.

Legislative Policy Standards

The legislative policy standards are categorized for the Board of Retirement, the Board of Investments, and both Boards. Legislative action items of interest to the Board of Retirement are first brought before the Board of Retirement's Insurance, Benefits and Legislative Committee for consideration before being recommended to the Board of Retirement. However, items may go directly to the Board of Retirement for consideration with the agreement of both the Chair of the Board of Retirement and the Chair of the Insurance, Benefits and Legislative Committee.

Legislative action items of interest to the Board of Investments are brought directly to the Board of Investments.

Legislative action items of interest to both the Board of Retirement and Board of Investments are brought separately to both Boards. However, such items to be considered by the Board of Retirement will first be considered by the Board of Retirement's Insurance, Benefits, and Legislative Committee before being recommended to the Board of Retirement.

The legislative policy standards conceptually relate to LACERA's mission to produce, protect, and provide the promised benefits; the legislative policy standards also embody the themes of quality of service, prudent investment, conservation of plan assets, and prompt delivery of benefits and services within each element of LACERA's mission.

Legislative proposals or rulemaking that are enacted into law ultimately require implementation by LACERA. The approach staff will take in formulating positions and recommendations is to foster collaboration with divisions within LACERA and resources outside of LACERA, including other public pension systems, LACERA's legislative advocate, and others whose interests align with LACERA's or who may have relevant information, to fully assess the impact of proposals.

Although the legislative policy standards are intended to guide staff in formulating positions and recommendations to the Boards on legislative proposals or rulemaking, the Boards may in their discretion adopt any position on specific proposals. This policy is not intended to limit the flexibility of the Boards to take a position or other action on any legislative matter or rulemaking that may impact LACERA or its stakeholders, whether or not the specific subject matter is listed in this policy.

Board of Retirement

- Support proposals that provide the Board of Retirement with increased flexibility in its administration of retirement plans and operations or enable more efficient and effective service to members and stakeholders.
- Support proposals that correct structural deficiencies in plan design.

- Support proposals that provide clarification, technical updates, or conforming changes to the County Employees Retirement Law of 1937, the California Public Employees' Pension Reform Act of 2013, or other applicable provisions under California law related to public retirement systems.
- Support proposals that protect vested benefits or have a positive impact upon LACERA's members.
- Support proposals that seek to prevent fraud in connection with retirement benefits and applications.
- Oppose proposals that infringe on the Board of Retirement's plenary authority or fiduciary responsibility.
- Oppose proposals that deprive members of vested benefits.
- Oppose proposals that mandate the release of confidential information of members and beneficiaries.
- Oppose proposals that jeopardize the tax-exempt status of LACERA's qualified retirement plan under the Internal Revenue Code and the California Revenue and Taxation Code or the deferred treatment of income tax on employer and employee contributions and related earnings.
- Oppose proposals that create unreasonable costs or complexity in the administration of retirement benefits.
- Oppose proposals that are contrary to or interfere with the Board of Retirement's adopted policies or decisions.

Board of Investments

- Support proposals that give increased flexibility to the Board of Investments in its investment policy and administration.
- Support proposals that preserve the assets and minimize the liabilities of trust funds administered by LACERA.
- Support proposals that are consistent with the Board of Investments' Corporate Governance Principles.
- Support proposals that are consistent with the Board of Investments' Statement of Investment Beliefs.
- Support proposals that promote transparent financial reporting in accordance with generally accepted accounting principles.

- Oppose proposals that infringe on the Board of Investments' authority over the actuarial valuation process.
- Oppose proposals that infringe on the Board of Investments' plenary authority or fiduciary responsibility, including but not limited to investment mandates or restrictions.
- Oppose proposals that create unreasonable costs or complexity in the administration of investments.
- Oppose proposals that are contrary to or interfere with the Board of Investment's adopted policies or decisions.

Board of Retirement & Board of Investments

- Support proposals that harmonize the powers and functions of the Board of Retirement and Board of Investments but do not encroach on each Board's respective separate jurisdiction.
- Support proposals that enhance board member education and ethics.
- Address proposals related to the administrative budget.
- Address proposals related to the appointment of personnel.

Definitions of Board Positions

SPONSOR OR CO-SPONSOR

- Indicates that the proposal was initiated by the Board or that the proposal was initiated by one or more organizations with which LACERA shares sponsorship.
- Authorizes staff to engage with LACERA's legislative advocate to achieve passage of the proposal.

SUPPORT

- Indicates that the Board believes the proposal should become law.
- Authorizes staff to engage with LACERA's legislative advocate to achieve passage of the proposal.

SUPPORT IF AMENDED

- Indicates that the Board conditionally supports the proposal in becoming law and that amendments are necessary to facilitate implementation and administration.
- Authorizes staff to engage with LACERA's legislative advocate to communicate the Board's position and incorporate amendments into the proposal.

NEUTRAL

- Indicates that the proposal affects LACERA and its stakeholders, but the Board neither supports nor opposes it.
- Does not require engagement with legislative advocate to achieve passage or defeat of the proposal.

OPPOSE

- Indicates that the Board does not believe the proposal should become law.
- Authorizes staff to engage with LACERA's legislative advocate to communicate the Board's position and to defeat the proposal.

OPPOSE UNLESS AMENDED

- Indicates that the Board conditionally opposes the proposal in becoming law and that amendments are necessary to remove the Board's opposition.
- Authorizes staff to engage with LACERA's legislative advocate to communicate the Board's position and to incorporate amendments into the proposal.

WATCH

- Indicates that the proposal does not affect LACERA and its stakeholders but would be enacted under a law that covers LACERA such as CERL or PEPRA.
- Indicates that proposal will be resubmitted to the Board for consideration if amendments cause the proposal to affect LACERA and its stakeholders.

Once the Board has acted, these positions will typically be communicated by means of a letter from the Chief Executive Officer to the appropriate legislative officers. Staff coordinates with LACERA's legislative advocate in preparing this letter and developing a communication and distribution strategy for the letter, which may include verbal communications by the legislative advocate with relevant legislators and/or legislative staff. In the rulemaking context, LACERA's positions will typically be communicated to the enacting state or federal agency by means of a comment letter where the agency has provided an opportunity for public comment on a proposed rule before it is finalized and becomes effective.

Legislative Analysis Memorandum Format

The following is an outline of the format of the legislative analysis memorandum provided by staff. In general, the memorandum will follow this format but may be modified for specific cases.

Date

TO:

FROM:

FOR:

SUBJECT: **Bill Number**

Author:

Sponsor:

Introduced:

Amended:

Status:

Board Position:

Committee Recommendation:

Staff Recommendation:

[If the memo addresses rulemaking, the Subject section will provide similar relevant information.]

RECOMMENDATION

[This section states the recommendation to the Board.]

LEGISLATIVE POLICY STANDARD

[This section discusses the application of LACERA's legislative policy standards to the proposal and the justification for the recommendation to the Board.]

SUMMARY

[This section describes the provisions of the proposal and the key additions or updates the proposal makes to existing law.]

ANALYSIS

[This section provides an analysis of the effects and implications of the proposal on LACERA.]

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD

[This section restates the recommendation and summary or concluding comments.]

Attachments

Attachment 1—Board Positions Adopted On Related Legislation

[This attachment states the positions the Board has previously taken on the subject matter of the bill.]

Attachment 2—Support And Opposition

[This attachment identifies those entities that have already taken a position on the bill.]

Bill Text

Action between Board Meetings

The Board of Retirement generally meets twice a month, including a disability meeting on the first Wednesday and an administrative meeting on the Thursday following the second Wednesday; the Board of Investments meets once a month on the second Wednesday. The meeting schedules of the Boards do not necessarily accord with the hearing schedules and deadlines of the Legislature.

The policy will provide direction for staff to engage with LACERA's legislative advocate to communicate a position on amendments to a bill before formal consideration by the Board of Retirement or Board of Investments if all the following conditions are met:

1. The Board had adopted a Support, Support If Amended, Oppose, or Oppose Unless Amended position on the bill *before* it was amended.
2. Substantive amendments that may justify a change in the Board's position to other than Neutral or Watch have occurred in the bill *after* the Board adopted a position and *before* the next regularly scheduled board meeting.
3. Consideration of the amended bill by a legislative committee or by the Assembly or Senate floor will occur *before* the amended bill can be considered at the next regularly scheduled board meeting.

Staff will take the following actions:

1. Prepare a legislative analysis of the amended bill for use in consultation.
2. Consult with the Chief Counsel, Chief Executive Officer, and legislative advocate for input regarding the amended bill to determine if the new position should be communicated to the Legislature.
3. If the new position should be communicated to the Legislature, consult with the Chair (or if not available, the Vice Chair) of the Board that has jurisdiction over the subject matter of the amended bill and obtain approval that the new position be communicated.
4. At the next regularly scheduled Board meeting, present a report to the Board regarding the position communicated in Step 3 and a summary of actions taken.

Ballot Measures

California law provides for citizens to use ballot measures to initiate a state statute or a constitutional amendment or to repeal legislation through a veto referendum. The California State Legislature may also use ballot measures to offer legislatively referred state statutes or constitutional amendments.

In general, a government agency may not spend *public funds* for a partisan *campaign* advocating the passage or defeat of a ballot measure. It is, however, permissible for a government agency to engage in *informational* activities. What distinguishes *informational* activities from *campaign* activities depends on the style, tenor, and timing of the activity.

From time to time, ballot measures may be offered that are related to public retirement plans. The following guidelines are intended to provide guidance on actions that may be taken with respect to ballot measures on public retirement plans:

- Providing informational staff reports and analysis on the ballot measure's effect in a meeting open to the public.
- Providing a recommendation for the Board to take a position on the ballot measure in a meeting open to the public where all perspectives can be shared.
- Providing the Board's position and views on the ballot measure's merits and effects to interested stakeholders and organizations.
- Responding to inquiries from stakeholders and the public regarding the Board's position and views on the ballot measure.

The Fair Political Practices Commission (FPPC) was created by the Political Reform Act and requires government agencies to report expenses used to advocate or unambiguously urge the passage or defeat of a measure in an election. The FPPC also prohibits government agencies from paying for communication materials that advocate or unambiguously urge the passage or defeat of a measure in an election. LACERA must be cautious in not engaging in activities that can be characterized as *campaign* activities, which are prohibited and would be subject to campaign expenditure reporting requirements. Therefore, all activities related to ballot measures are subject to review by Chief Counsel.

Status Reports

For bills that the Boards are actively supporting or opposing, staff will provide a monthly status report listing each bill, its current status in the legislative process, and copies of communications used for lobbying the Legislature.

Staff will provide the current status of all monitored legislation on a monthly basis in legislative charts that are included in the green folders provided to the Board of Retirement and Board of Investments before each regularly scheduled board meeting.



DATE: August 4, 2016

TO: Each Member
LACERA Board of Retirement

FROM: Audit Committee
Joseph Kelly – Chair
Michael S. Schneider – Vice Chair
Vivian Gray – Secretary
David Green
Shawn R. Kehoe

FOR: Board of Retirement Meeting of August 11, 2016

SUBJECT: **SELECTION OF LACERA'S EXTERNAL FINANCIAL AUDITOR**

RECOMMENDATIONS

It is recommended that the Board of Retirement:

1. Direct staff to retain Plante & Moran, PLLC, (Plante Moran) for a five (5) year agreement to provide attest audits beginning January 1, 2017 and ending December 31, 2021, with a two (2) year extension at LACERA's option, and consistent with the terms of the RFP's *Statement of Work* and the proposal submitted by Plante Moran;
2. Authorize LACERA's Chief Executive Officer to sign all necessary legal documents to execute the resultant agreement, subject to review and approval by LACERA's Legal Office.

EXECUTIVE SUMMARY

It is the responsibility of LACERA's Board of Retirement to employ a certified public accounting (CPA) firm to perform annual attest audits of LACERA's annual financial statements. It is the responsibility of LACERA's Audit Committee to make a recommendation to the Board of Retirement regarding the appointment, compensation and work of that CPA firm.

LACERA's agreement with its current, external financial statement auditor, Brown Armstrong Accountancy Corporation (Brown Armstrong), expires with the completion of this year's financial statement audit for the fiscal year ending June 30, 2016. Brown Armstrong has satisfactorily performed LACERA's external financial statement audits for the past fourteen (14) years. Their two five-year *Audit Services Agreements* with LACERA began with the audit of the 2003 fiscal year-end financial statement and each was extended at LACERA's option for the additional two years.

BACKGROUND

At its meeting on April 15, 2016, the Audit Committee authorized LACERA's Internal Audit Division to issue an RFP from CPA firms to perform the annual attest audits of LACERA's financial statements. The proposed contract term is for a five-year period for the fiscal years ending 2017-2021, with a two-year extension at LACERA's option. Four accounting firms submitted proposals; Brown Armstrong Accountancy Corporation, Eide Bailly LLP, Mayer Hoffman McCann P.C., and Plante Moran .

The RFP responses were reviewed by a staff Evaluation Group comprised of two LACERA Division Managers and four senior staff members from several LACERA Divisions who evaluated and came to a consensus on the scoring for each firm's proposal. The Evaluation Group found all four firms qualified to perform the annual audits of LACERA's financial statements but removed the lowest scoring firm, Mayer Hoffman McCann, from further consideration. Please refer to the Attachment for additional details relating to each firm's background and the evaluation process.

The Audit Committee invited the three finalist firms, Brown Armstrong, Eide Bailly, and Plante Moran, to make presentations to the Audit Committee prior to it making a recommendation to your Board. During these presentations, the Committee considered the proposals together with the analyses provided by the staff Evaluation Group; and it closely questioned the firms as to their credentials, experience, expertise, resources, and their access to, membership in, and participation in committees of the accounting profession's standard-setting bodies such as the Governmental Accounting Standards Board (GASB) and American Institute of CPA's (AICPA).

Immediately following the presentations, the Committee deliberated, comparing and thoroughly discussing all attributes of the three firms. The Committee concluded that Plante Moran was not only the best qualified but also the most closely suited to LACERA's needs. It then voted unanimously to recommend only Plante Moran to the Board of Retirement.

Plante Moran Experience and Qualifications: Plante Moran is a professional limited liability company with 277 partners and also is the 14th largest CPA and consulting firm in the nation (6th largest employee benefit plan auditor). Plante Moran has performed financial statement audits for 72 years and specifically for defined benefit plans for those entire 72 years, with 41 partners currently dedicated to benefit plans. It has 22 domestic and international offices, none in California but it has numerous California clients that include the Counties of Orange, Santa Barbara, and Marin.

Plante Moran actively participates in and contributes to several bodies of the AICPA including the State and Local Government Expert Panel, Employee Benefit Expert Panel, and Public Employers Retirement Task Force. They have also participated as an executive committee member on the Governmental Audit Quality Center and has helped write the AICPA pension whitepapers as well as Chapter 13 of the Audit Guide that spelled out the audit solutions under GASB 67/68.

Professionals: Plante Moran has 750 full-time professional auditors, of which 497 hold CPA licenses. Of these professionals, 200 audit government entities or pension funds plus 300 audit ERISA benefit plans. The staff Plante Moran proposes for the LACERA engagement all have extensive experience with pension plan audits. Their team originates from Michigan and brings a unique blend of experience and technical expertise with specialists in governmental pension plans, large complex health benefits plans, alternative investments, and public pension financial forum sponsorship and involvement.

Services to Public Pension Fund Clients: Plante Moran has extensive resources that address the needs of public pension fund clients (1,200 audited annually), particularly with respect to GASB considerations. It also has broad investment knowledge and experience (\$175 billion benefit plan assets audited annually).

Reference Check: Staff conducted reference checks provided by Plante Moran and all references were positive.

CONCLUSION

The Audit Committee recommends that the Board:

1. Direct staff to retain Plante & Moran, PLLC, (Plante Moran) for a five (5) year agreement to provide attest audits beginning January 1, 2017 and ending December 31, 2021, with a two (2) year extension at LACERA's option, and consistent with the terms of the RFP's *Statement of Work* and the proposal submitted by Plante Moran;
2. Authorize LACERA's Chief Executive Officer to sign all necessary legal documents to execute the resultant agreement, subject to review and approval by LACERA's Legal Office.

JK:dar
Attachment with Appendices

C: All Members
Gregg Rademacher

BACKGROUND

It is the responsibility of LACERA's Board of Retirement to employ a CPA firm to perform annual attest audits of LACERA's annual financial statements. It is the responsibility of LACERA's Audit Committee of its Board of Retirement and Board of Investments to make a recommendation to the Board of Retirement regarding the appointment, compensation and work of that CPA firm.

LACERA's agreement with its current, external financial statement auditor, Brown Armstrong Accountancy Corporation, expires with the completion of this year's financial statement audit for the fiscal year ending June 30, 2016. Brown Armstrong has satisfactorily performed LACERA's external financial statement audits for the past fourteen (14) years. Their two five-year *Audit Services Agreements* with LACERA began with the audit of the 2003 fiscal year-end financial statement and both were extended at LACERA's option for the additional two years.

At the Audit Committee meeting held on April 15, 2016, the Committee authorized issuance of an RFP from an external certified public accounting firm to perform the annual attest audit of LACERA's financial statements and review of LACERA's CAFR. The *Statement of Work* for this upcoming contract may be found in APPENDIX A to this ATTACHMENT. The proposed contract term is five years, for the fiscal years ending 2017-2021, with an optional two-year extension at LACERA's discretion. The "Auditor Minimum Qualifications" required by this RFP may be found in APPENDIX B.

SEARCH PROCESS

LACERA issued the RFP on April 20, 2016. In order to ensure a good response rate, Internal Audit sent copies of the RFP or notifications of the RFP issuance to 42 accounting firms, in addition to posting the RFP on LACERA's web site. The 42 accounting firms notified of the RFP publication consisted of top ranked national firms by revenue, top ranked western regional firms by revenue, eleven firms provided by Internal Audit's contacts through the Association of Public Pension Fund Auditors (APPFA), and ten additional firms known to staff or firms that had expressed a previous interest in proposing. All rankings were taken from Bloomberg's *Supplement to Accounting Today*.

Prior to submitting proposals, respondent firms were required to submit an *Intent to Bid* in addition to a *Minimum Qualification Certification* for the LACERA financial attestation audit services. Nine such *Intents to Bid* with the related *Minimum Qualification Certifications* were received. However, only the following four accounting firms submitted proposals:

- Brown Armstrong Accountancy Corporation
- Eide Bailly LLLP
- Mayer Hoffman McCann P.C.
- Plante Moran

EVALUATION PROCESS

RFP responses were evaluated by a staff Evaluation Group (“Group”) comprised of the Division Managers from the Financial & Accounting and the Systems Divisions, and four senior staff members of the Financial & Accounting Services, Legal, and Internal Audit Divisions.

First, the Group individually determined if each firm met the Minimum Qualifications and the proposal provided all of the information requested in the RFP. Second, each Group Member separately evaluated and scored each proposal for firm qualifications and experience, staff qualifications and experience, audit planning and approach, and fees, based on the evaluation criteria specified in the RFP. The rating for each evaluation section contributes the below-stated percentage of each firm’s overall score. (For more detail regarding the criteria considered in each evaluation section please see APPENDIX C.) Third, Internal Audit called each of the finalist’s references for independent verification of their qualifications. The Group then convened to review and discuss their evaluations and arrive at a combined final score for each firm’s proposal.

<u>Evaluation Section</u>	<u>Weight</u>
Firm Qualifications and Experience	30%
Professional Staff Qualifications and Experience	35%
Audit Planning and Approach	25%
Fees	10%

FIRM SCORES

The highest score possible for each firm was 100. Each firm’s overall score, ranked from high to low, are provided below. Based on the information provided in each proposal, the Group noted that the level of relevant experience presented by each firm was clearly marked between the top three firms and the bottom firm. The Group removed the lowest scoring firm – Mayer Hoffman McCann – from further consideration in this search. That firm's proposal exhibited a limited ability to perform services substantially similar to and/or conform to LACERA’s needs; this in addition to raising concerns in other areas.

A detailed breakdown of firm scores may be found in APPENDIX D. A brief summary of the Group's additional areas of concern relating to Mayer Hoffman McCann is located in APPENDIX E.

Total Firm Scores

	Brown Armstrong	Plante Moran	Eide Bailly	Mayer Hoffman McCann
Total Firm Score	90.9	89.5	88.0	81.8

FEE COMPARISON

The staff Evaluation Group found all of the firms' fees to be reasonably competitive, although there are disparities in the (LACERA calculated) average fees per audit hour among the competing firms. Hourly fee disparity may be attributable to each firm's allocations of senior and junior staff assigned to LACERA's audit. For instance, a higher hourly fee may suggest a greater allotment of more experienced staff. Another disparity noted among proposals is the number of audit hours each firm proposes to expend. Proposed engagement hours from the top three candidate firms range from 981 to 1,197 hours. (For reference, the Group noted the incumbent firm, Brown Armstrong, actually spent 1,078 audit hours – *without* GASB 74/75 work included – on LACERA's financial statement audit in fiscal year 2015.)

It is important to note that each firm presented fees which would not be exceeded. This remains true regardless of the number of actual audit hours the firm expends to complete the engagement.

Average Annual Not to Exceed Fees

	Brown Armstrong	Plante Moran	Eide Bailly	Mayer Hoffman McCann
Average Annual Fee	\$132,442	\$138,125	\$153,360	\$167,087
Total Proposed Audit Hours per Year	1,197	1,036	981	1,237
Average Fee / Audit Hour	\$111	\$133	\$156	\$133

FINALIST EVALUATIONS

The staff Evaluation Group found all three top scoring firms, Brown Armstrong, Plante Moran, and Eide Bailly, well qualified to perform the annual attestation audits of LACERA's financial statements. A brief profile of each firm is located the end of the APPENDICES.

ADDITIONAL EVALUATION CONSIDERATIONS

Incumbent Auditor

Actual experience conducting the audit assignment gives Brown Armstrong a competitive advantage. Higher incumbent scores may be attributable somewhat to the Group's tendency toward risk aversion and LACERA staff's general satisfaction with Brown Armstrong's past performance.

Auditor Rotation

California Gov't Code, Section 12410.6 (b): "Commencing with the 2013–14 fiscal year, a local agency shall not employ a public accounting firm to provide audit services to a local agency if the lead audit partner or coordinating audit partner having primary responsibility for the audit, or the audit partner responsible for reviewing the audit, has performed audit services for that local agency for six consecutive fiscal years. For purposes of calculating the six consecutive fiscal years, the local agency shall not take into account any time that a public accounting firm was employed by that local agency prior to the 2013–14 fiscal year. The Controller may waive this requirement if he or she finds that another eligible public accounting firm is not available to perform the audit."

Brown Armstrong has complied with this Code in the proposal it submitted. It indicates that it will replace its current Engagement Partner, Mr. Andrew Paulden, with Ms. Rosalva Flores, also a partner with the firm, who has 17 years of governmental accounting experience with Brown Armstrong. Additionally, Brown Armstrong indicates that its new Engagement Technical Reviewer is Ms. Lindsey McGuire, a "Shareholder-in-Training" who has 8 years of governmental accounting experience. So, Brown Armstrong is eligible to become LACERA's external, financial auditor for the full 5-year term of the contract to be awarded plus the possible 2-year extension; and it may do so without any application to the California State Controller. (Also see APPENDIX F.)

CONCLUSION

The Audit Committee invited the three finalist firms, Brown Armstrong, Eide Bailly, and Plante Moran, to make presentations to the Committee prior to it making a recommendation to the Board of Retirement. During these presentations, the Committee considered the proposals together with the analyses provided by the staff Evaluation Group; and it closely questioned the firms as to their credentials, experience, expertise, resources, and their access to, membership in, and participation in committees of the accounting profession's influential or pronouncing bodies.

Immediately following the presentations, the Committee deliberated, comparing and thoroughly discussing all attributes of the three firms. The Committee concluded that Plante Moran was not only the best and very well qualified but also the most closely suited to LACERA's needs. It then voted unanimously to recommend only Plante Moran, PLLC, to the Board of Retirement.

Appendices

- Appendix A – Statement of Work
- Appendix B – Auditor Minimum Qualifications
- Appendix C – Evaluation and Selection Procedures
- Appendix D – Final Score Breakdown
- Appendix E – Firm Elimination
- Appendix F – Arguments FOR & AGAINST Audit Firm Rotation

Finalist Firm Profiles

- Brown Armstrong
- Eide Bailly
- Plante Moran

STATEMENT OF WORK
ANNUAL ATTEST AUDITS OF LACERA'S FINANCIAL STATEMENTS
Fiscal Years Ending June 30, 2017 through June 30, 2021

A. Scope of Services

AUDITOR shall perform an annual financial statement audit (Financial Audit) and express an opinion (attestation) on the fair presentation of LACERA's financial statements, which include the Pension Trust, the OPEB Trust and the OPEB Agency Fund, in accordance with all applicable current professional standards and applicable federal and State laws, regulations, and rules. With respect to schedules LACERA prepares for compliance with GASB Pronouncements 68 and 75, AUDITOR shall also express a separate opinion (attestation) on the fair presentation (attestation) of those schedules.

Inasmuch as LACERA's financial statements are a component of Los Angeles County's ("County") financial statements, AUDITOR will coordinate with the external, financial auditors of the County and with LACERA's actuary to provide the County the information and data needed for completion of the County's annual financial statements. AUDITOR will comply fully with SAS No. 122, *Statements on Auditing Standards: Clarification and Recodification*, AU-C section 600, *Audits of Group Financial Statements*.

In addition to a broad sampling of LACERA's general and safety membership files to establish the accuracy and validity of the data and calculations contained therein, AUDITOR shall separately sample files for those members who have requested disability retirement. This supplemental sampling is to assist LACERA in determining that LACERA's service connected disability retirement (SCDR) application process and related Board determination are thorough, accurate, timely, consistent, free from fraud and abuse, and in compliance with Board policies. AUDITOR will provide a written statement indicating that a sampling of disability retirement cases has been audited, together with any audit findings, recommendations and management responses.

AUDITOR shall perform special projects that are directly related to or result from the annual financial statement audit, as requested and defined by LACERA, from time to time.

B. Professional Standards

AUDITOR understands that promulgating bodies may revise or change the professional standards, laws, regulations, and rules from time to time. AUDITOR will utilize all applicable components of professional standards in auditing, preparing and reporting on the financial statements of LACERA, including but not limited to, the following:

- U.S. Generally Accepted Auditing Standards (GAAS),
- Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States (GAGAS),
- American Institute of Certified Public Accountants (AICPA) standards included in its *"Audits of Employee Benefit: Audit and Accounting Guide"* (March 1, 2009),
- U.S. Generally Accepted Accounting Principles (GAAP),
- Governmental Accounting Standards Board (GASB) Statements, and
- California State Controller's *"Minimum Audit Requirements and Reporting Guidelines for Public Retirement Systems"* included as **Exhibit A to the Audit Services Agreement**.

STATEMENT OF WORK
ANNUAL ATTEST AUDITS OF LACERA'S FINANCIAL STATEMENTS
Fiscal Years Ending June 30, 2017 through June 30, 2021

C. Reports and Due Dates

The table below includes a list of reports LACERA believes AUDITOR is required to issue at the completion of the Financial Audit and LACERA's mandatory due dates. AUDITOR will prepare all reports required by applicable professional standards and applicable federal and State laws, regulations, and rules in effect for the engagement period and meet all due dates specified by LACERA.

Report Title	Due Date
1. Independent Auditor's Report re Financial Statements) – Draft (5 copies) 2. Independent Auditor's Report re GASB Pronouncements 68 and 75 – Draft (5 copies)	October 5
1. Independent Auditor's Report re GASB 68 & 75 – Final	TBD (but probably very much sooner than October 5)
1. Independent Auditor's Report re Financial Statements – Final 2. Report on Internal Control and Compliance 3. Required Communication to the Audit Committee Report 4. Report to Management 5. Service Connected Disability Retirement Review Report.	October 15

Reports must be delivered to the Project Manager indicated below. Unless otherwise specified by the Project Manager, AUDITOR shall deliver eighty-five (85) copies and an electronic version of each report to:

Project Manager
 Richard Bendall, Chief Audit Executive
 LACERA
 300 N. Lake Avenue, Suite 840
 Pasadena, CA 91101-4199
 Ph: 626-564-6000 x3523
 Facsimile: 626-685-4632
 Email: rbendall@lacera.com

STATEMENT OF WORK
ANNUAL ATTEST AUDITS OF LACERA'S FINANCIAL STATEMENTS
Fiscal Years Ending June 30, 2017 through June 30, 2021

D. Meetings with LACERA Staff and Boards

1. Entrance Conference

Prior to commencing fieldwork for each Financial Audit, AUDITOR will attend an entrance conference at LACERA's offices with LACERA's Project Manager, Financial and Accounting Services Division (FASD) management and other LACERA staff. The purpose of this meeting will be to establish and discuss the following:

- The liaisons appointed by LACERA and the AUDITOR for the audit;
- LACERA's critical deadlines and AUDITOR's plans to ensure they are met;
- AUDITOR'S critical deadlines and LACERA's plans to ensure they are met;
- Prior, current and/or anticipated audit issues;
- Overview of the interim and year-end work to be performed by AUDITOR; and
- Arrangements for work space and other needs of AUDITOR.

2. Weekly Status Meetings

During the time the AUDITOR is performing its fieldwork for each Financial Audit, AUDITOR shall conduct weekly status meetings at LACERA's offices with FASD management and other LACERA staff as necessary, to review and discuss the progress of the Financial Audit, substantive testing, and other issues pertaining to the audit work and any potential findings.

3. Exit Conference(s)

AUDITOR shall attend one or more exit conference(s) annually, as determined by LACERA, with LACERA's Project Manager, LACERA management and other LACERA staff to describe the audit process and review the final audit reports (listed above). If requested by LACERA, AUDITOR shall also discuss findings and recommendations from each report with LACERA's Audit Committee, Board of Retirement, or Board of Investments. AUDITOR will make additional presentations deemed necessary by LACERA to the Boards and their Committees.

4. GASB 74/75 Task Force Meetings

[NOTE: The GASB 74/75 Task Force is comprised of representatives from LACERA, the Plan Sponsor (County of Los Angeles) and its external auditor, some of the Plan's participating employers and their external auditors, and LACERA's actuaries. Its object is to assure all parties that the requirements of GASB 74/75 are met in a timely fashion.]

STATEMENT OF WORK
ANNUAL ATTEST AUDITS OF LACERA'S FINANCIAL STATEMENTS
Fiscal Years Ending June 30, 2017 through June 30, 2021

AUDITOR shall become a Task Force Member and participate in the monthly meetings of the Task Force, which may be done by conference call.

E. Engagement Support

LACERA will prepare year-end closing entries, draft financial statements, notes, and all required supplementary schedules and statistical data.

Throughout the Financial Audit engagement, LACERA will make available clerical support personnel to provide assistance for tasks such as identifying locations of required records and documentation, obtaining listings, and other tasks that will serve to expedite completion of the Financial Audit.

LACERA will arrange for reasonable office space, desks, tables, chairs, and telephones. The AUDITOR will also be provided with access to photocopying facilities, facsimile machines and to financial records and member records on a read-only basis.

F. Reporting Irregularities and Illegal Acts

AUDITOR will adhere to all professional standards, laws, regulations and rules in regards to reporting irregularities and illegal acts. LACERA has adopted a "Misconduct and Illegal Acts" policy that requires employees to report misconduct or illegal acts to LACERA's Chief Audit Executive. Internal Audit staff will conduct an appropriate investigation.

G. Government Finance Officers Association Award

AUDITOR will review each Comprehensive Annual Financial Report ("CAFR") for consistency and reasonableness, and review the CAFR against the guidelines for the Government Finance Officers Association ("GFOA") Certificate of Achievement for Excellence in Financial Reporting to ensure compliance with the GFOA award program requirements.

ATTACHMENT – APPENDIX B

Selection of LACERA's External Financial Auditor

August 11, 2016

MINIMUM QUALIFICATIONS CERTIFICATION (MQC)

	Firm (Bidder or Auditor) Minimum Qualifications	Yes	No
1)	The Firm must be an independent firm, licensed by and in good standing with the State of California under the "Accountancy Corporations" Code (California Business and Professions Code, Article 9, Sections 5150-5158) which includes a current license, issued by the California Board of Accountancy, to practice public accounting.		
2)	The Firm must represent itself as a professional public accounting firm, organized at least on a regional basis, that provides audit and attestation services.		
3)	The Firm must have been established prior to January 1, 2011, and must have an office located within the United States.		
4)	The Firm must not have been subject to any enforcement actions by the California Board of Accountancy within the last five (5) years (i.e., since January 1, 2011).		
5)	The Firm must be registered with the Public Company Accounting Oversight Board (PCAOB) and be willing to share the results of a PCAOB Inspection Report issued within the last five (5) years.		
6)	The Firm must be willing to share the results (i.e., final report including findings) of an external quality control review report ("Peer Review") completed within the last five (5) years. The Peer Review report must be included as an attachment to the Firm's proposal (see Section IV "Proposal Requirements", Item 3g). (Information submitted and marked <i>CONFIDENTIAL</i> will be excluded from public information requests.)		
6a)	The Firm must be willing to share the results (i.e., final report including any findings) of an external SSAE-16, SOC-2, Type 2 or an ITGC examination in the last five (5) years. The report(s) must be included as an attachment to the Firm's proposal (see Section IV "Proposal Requirements", Item 3h). (Information submitted and marked <i>CONFIDENTIAL</i> will be excluded from public information requests.)		
7)	The Firm must not perform any work for the County of Los Angeles (LACERA's plan sponsor) during the potential future term of an agreement with LACERA, up to seven (7) years, for work defined as follows: a) audit, attestation, consulting, investigation, actuarial, valuation services, review or analysis of any nature whatsoever, for or without compensation, pertaining to LACERA or to pension or other retirement-related benefit issues administered by LACERA (e.g., other post-employment benefits programs); and b) bid to provide or provide services to the County of Los Angeles in connection with the preparation or audit of the County's Comprehensive Annual Financial Report.		

ATTACHMENT – APPENDIX B

Selection of LACERA's External Financial Auditor

August 11, 2016

MINIMUM QUALIFICATIONS CERTIFICATION (MQC)

	Firm (Bidder or Auditor) Minimum Qualifications [CONTINUED]	Yes	No
8)	The Firm must have conducted, within the last five (5) years, at least two (2) audits of defined benefit pension plans with assets that exceeded two billion dollars (\$2,000,000,000) <u>or</u> at least two (2) audits of defined benefit pension plans operating under California's County Employees Retirement Law of 1937 – "CERL" (California Government Code Section 31450 et seq., "the 1937 Act").		
9)	The Firm must have experience in auditing the following investment strategies: public and private equity securities, fixed income securities, real estate, securities lending, derivatives, hedge funds and commodities. The Firm must have experience in auditing retirement benefits.		
10)	The Firm's Principal/Partner responsible for the LACERA engagement (Engagement Partner), and the Partner who signs the Independent Auditor's Report (if different), must work from an office located in the United States and have at least ten (10) years of experience in public accounting/auditing. This person shall be a Certified Public Accountant (CPA) licensed by the California Board of Accountancy, in good standing, and must be authorized to sign reports on http://dca.ca.gov/cba/consumers/slectcpa.shtml - AttestEngagement attest engagements.		
11)	The Firm's Audit Manager (Engagement Manager) responsible for the LACERA engagement must work from an office located in the United States and have at least five (5) years of experience in public accounting/auditing. Such experience must include financial statement audits of defined benefit pension plans. This person shall be a Certified Public Accountant (CPA) licensed by and in good standing with the California Board of Accountancy.		
12)	The Firm's Audit Senior (Engagement Senior or Supervisor) directly overseeing the LACERA engagement must work from an office located in the United States and have at least three (3) years of experience in public accounting/auditing. Such experience must include financial statement audits of defined benefit pension plans.		
13)	The Firm's Engagement Partner, Manager and Senior (Supervisor) shall be available for consultations and meetings in-person or via telephone throughout the year when provided reasonable notice.		
14)	The Firm must <u>disclose</u> any situation where the Firm, Engagement Partner, Engagement Manager and Engagement Senior (Supervisor), are currently (i) a defendant in any State or federal court action (in the United States or in any country in which the Firm is doing business) for fraud, malpractice, misrepresentation, or negligence, or (ii) the subject of any investigation, examination, complaint, disciplinary action or other proceeding before any state or federal governmental agency (in the United States or in any country in which the Firm is doing business) licensing or regulating the accounting profession or any profession/industry in which the Firm's clients are engaged. THE FIRM MUST SUBMIT ALL DISCLOSURES AS AN ATTACHMENT TO THE INTENT TO BID AND MINIMUM QUALIFICATIONS CERTIFICATION. (Information submitted and marked <i>CONFIDENTIAL</i> will be excluded from public information requests.)		

ATTACHMENT – APPENDIX B

Selection of LACERA's External Financial Auditor

August 11, 2016

MINIMUM QUALIFICATIONS CERTIFICATION (MQC)

	Firm (Bidder or Auditor) Minimum Qualifications [CONTINUED]	Yes	No
15)	The Firm must <u>disclose</u> any situation where the Firm is the subject of any investigation, examination, complaint, disciplinary action, judicial, administrative, or other proceeding relating to or affecting Firm's ability to perform its duties under agreement with LACERA or involving any professional employed by Firm who has performed any service with respect to the LACERA engagement, by any of the following: (i) the Securities and Exchange Commission of the United States (SEC); (ii) the Public Company Accounting Oversight Board (PCAOB); (iii) any Attorney General or any regulatory agency of any state of the United States; (iv) any U.S. Government department or agency, or (v) any governmental agency regulating the accounting industry or accountants (e.g., California Board of Accountancy) in any country in which Firm is doing business. Except as otherwise required by law, LACERA shall maintain the confidentiality of all such information disclosed to it until the investigating entity makes the information public. THE FIRM MUST SUBMIT ALL DISCLOSURES AS AN ATTACHMENT TO THE INTENT TO BID AND MINIMUM QUALIFICATIONS CERTIFICATION.		

I hereby certify that my Firm meets all qualifications as indicated in this Minimum Qualifications Certification.

Signature of Individual Authorized
to Legally Bind the Firm

Printed Name

Title

Firm

EVALUATION AND SELECTION PROCEDURES

A. General Information

This section describes the guidelines LACERA will use to analyze and evaluate proposals. LACERA reserves the right to evaluate all factors deemed appropriate, whether or not such factors have been stated in this section. This RFP is not an offer of an agreement (contract). Acceptance of a proposal neither commits LACERA to award a contract to any Bidder, even if the Bidder has satisfied all requirements stated in this RFP. Publication of this RFP does not limit LACERA's right to negotiate for the services described in this RFP. If deemed by LACERA to be in its best interests, LACERA may negotiate for the services described in this RFP with a party that did not submit a proposal.

B. Evaluation Committee

An Evaluation Committee consisting of LACERA staff will evaluate the proposals.

C. Evaluation of Proposals

The Evaluation Committee will determine if Bidders meet the Mandatory Elements listed below. Evaluation Committee members will evaluate and score the proposals for qualifications and experience, audit planning and approach, and fees. Each member of the Evaluation Committee will evaluate each proposal using a scoring system. The Evaluation Committee will then convene to review and discuss their evaluations to arrive at a final score.

The evaluation criteria to be used in the selection process will include, but may not be limited to, the following:

1. Mandatory Elements

- a) Bidder submits, by the deadline, and meets all minimum qualifications included in the Minimum Qualifications Certification
- b) Bidder adheres to the instructions in this RFP and has submitted, by the deadline, all required materials and attachments specified in this RFP (**see Section IV, Proposal Requirements**)
- c) Bidder has agreed to the Audit Services Agreement – General Form (**see Section IV, Proposal Requirements**) and has no conflict of interest with regard to any other work performed by the Bidder

EVALUATION AND SELECTION PROCEDURES

2. Qualifications, Approach and Fees

Below is a summarized list of factors that LACERA will use to evaluate the Bidder's proposal (LACERA reserves the right to modify this structure). Each evaluation section will hold a designated weight relative to the overall score as indicated below.

<u>Evaluation Section</u>	<u>Weight</u>
Firm Qualifications and Experience	30%
<ul style="list-style-type: none">• History and structure• Financial stability• Qualifications and resources• Experience relevant to this engagement	
Professional Staff Qualifications and Experience	35%
<ul style="list-style-type: none">• Professional and academic qualifications• Professional experience• Experience relevant to this engagement	
Audit Planning and Approach	25%
<ul style="list-style-type: none">• Audit work plan and methodology• Time table and resource allocation• Professional standards	
Fees	10%
<ul style="list-style-type: none">• Audit hours• Hourly rate• Total fees	

D. Right to Reject Proposals

Notwithstanding, anything contained in this RFP to the contrary, LACERA reserves the right without prejudice to reject any or all proposals.

E. Incomplete Proposals

If the information provided in a Bidder's proposal is deemed by the Evaluation Committee to be insufficient for evaluation, LACERA reserves the right to request additional information or to reject the proposal outright. False, incomplete, or unresponsive statements in connection with a proposal may be sufficient cause for its rejection. The evaluation and determination of the fulfillment of the requirements will be determined by LACERA, and LACERA alone, and such judgment shall be final.

F. Formal Presentations

During the evaluation process, any one or more of the Bidders may be requested to make a formal presentation to the Board of Retirement, Board of Investments, or a Committee of the Board such as the Audit Committee. Such presentation will provide the Bidder with an

EVALUATION AND SELECTION PROCEDURES

opportunity to answer any questions LACERA may have regarding the Bidder's proposal. Expenses incurred by the Bidder for such presentation will not be reimbursed.

G. Board Approval

Upon completion of the evaluation process, LACERA staff will submit a short list of approved Bidders for interview and selection or recommend a Bidder for award of an agreement (contract) by the Board of Retirement.

LACERA reserves the right to award an agreement to the Bidder that best meets the needs of LACERA as determined by LACERA, which may not be the Bidder offering the lowest fees. The successful Bidder will be determined in accordance with the selection criteria described in this section, **Section V, Evaluation and Selection Procedures**.

H. Agreement Negotiations

After Board approval, agreement (contract) negotiations will be initiated. Because the proposed Audit Services Agreement – General Form is attached to this RFP, see **Section VI, Supplemental Information**, and all Bidders are required to comment on the proposed contract as part of their proposals, LACERA expects contract negotiations to be brief. If the contract cannot be negotiated quickly with the selected Bidder, LACERA, may, in its sole discretion, terminate negotiations with the previously selected Bidder and commence contract negotiations with another party, whether or not that party was a Bidder.

I. Agreement Approval and Award

LACERA reserves the right to submit the final Audit Services Agreement (contract) to the Board of Retirement for approval.

After approval and agreement award by LACERA, all Bidders will be notified of the outcome.

ATTACHMENT – APPENDIX D

Selection of LACERA's External Financial Auditor
August 4, 2016

FINAL SCORE BREAKDOWN
(Averages of LACERA Staff Evaluation Group)

Evaluation Section (total points possible)	Brown Armstrong	Plante Moran	Eide Bailly	Mayer Hoffman McCann
Firm Qualifications/Experience (30)	26.4	27.1	26.0	23.9
Professional Staff Qualifications & Experience (35)	32.2	30.7	31.6	28.9
Audit Planning & Approach (25)	22.7	22.7	22.7	21.1
Fees (10)	9.6	9.0	7.8	8.0
Total Score	90.9	89.5	88.0	81.8

FIRM ELIMINATION

Mayer Hoffman McCann

Mayer Hoffman is a national accounting firm with 650 professional auditors in 31 locations across the United States. While the firm has experience conducting numerous audits of employee benefit plans, their proposal indicated limited experience conducting audits of government sponsored, defined benefit pension plans. All of the defined benefit plans referenced were corporate or rather small city-type, pension plans.

Mayer Hoffman's proposal did not articulate how their audit skills pertaining to city financial statements and corporate employee benefit plans might particularly translate into the experience and skills necessary to conduct an audit of a very large, government-entity, defined benefit retirement plan. Also, they indicated that they would "lease" certain of their staff for the LACERA audit from their affiliates.

Additional concerns in the LACERA Proposal Evaluation Group arose when Mayer Hoffman failed to provide readily evident and satisfactory responses to all the elements sought by the RFP. Lastly, and although total fees represented only 10% of the final score, Mayer Hoffman's total fee was noticeably the highest (albeit so were their total, proposed audit hours).

ARGUMENTS FOR & AGAINST AUDIT FIRM ROTATION

Arguments FOR Audit Firm Rotation¹

- Long term relationships between the auditee and auditor may create a level of closeness that might impair auditor independence and reduce audit quality. When a contentious issue arises a close relationship may create a conflict of interest for the auditor. The auditor may relate closely to management's perspective and not maintain sufficient professional skepticism.
- Auditors may become stale as the procedures become repetitious of earlier engagements, causing the auditor to anticipate results rather than being alert to subtle but important changes in circumstances.
- Mandatory audit firm rotation may force new auditors to review management's representation for compliance with accounting pronouncements, causing management to adopt more-conservative accounting practices.
- Without mandatory audit firm rotation, the possibility of future audit fees may result in an audit firm's "business decision" to please the audit client to ensure future business retention.
- Knowing another firm will take over in the future and possibly detect any oversight adds pressure for the auditor to take objective stands on any contentious issues.
- Financial statement users may perceive a higher level of auditor independence if mandatory audit firm rotation policies are in place.
- Audit firm rotation may lead to more-independent auditors performing better audits

Arguments AGAINST Audit Firm Rotation

- Long term relationships between the auditee and auditor may create a level of closeness that may allow the auditor to gauge when the client is not revealing available and pertinent information.
- If a long term relationship between the auditee and auditor exists, an auditor can remain objective if he/she possesses expertise and strong integrity and can still provide an objective and reliable opinion on the financial statements, as is required by auditing standards.
- An Audit Committee or Board, rather than Management, being responsible for the appointment, compensation, and oversight of the auditing firm reduces potential conflicts of interest for the auditor.
- Auditor familiarity with the client may increase audit effectiveness as the auditor may have a better understanding of issues and changes that take place from one year to the next.
- Returning to a prior engagement allows for added efficiency, as the auditor is familiar with the company's operations and the company is familiar with the auditor's needs, thus reducing interruptions to normal business operations.
- Even with mandatory audit firm rotation the temptation to keep clients, even for the pre-established rotation period, could result in an audit firm's "business decision" to please the audit client.
- AICPA is opposed to mandatory audit firm rotation, because it may increase the number of audit failures, as a higher than average number of audit-failures occur in the first years of an audit relationship.
- Constant rotation of audit firms may result in inferior audit performance

¹ Arel, B, Brody, RG, Pany, K.(2005). Audit firm rotation and audit quality, The CPA Journal, January 2005 Issue

FINALIST FIRM PROFILE

Selection of LACERA's External Financial Auditor

August 11, 2016

BROWN ARMSTRONG ACCOUNTANCY CORPORATION

Bakersfield, California

General: Brown Armstrong is a subchapter C corporation with 9 shareholders and is also one of the largest regional accounting firms in California. Brown Armstrong has performed financial statement audits for 42 years and specifically for defined benefit plans for more than 20 years. It has 4 offices, all in California. With the conclusion of LACERA's fiscal year-end audit of 2016, Brown Armstrong will have served and LACERA's external financial auditor for the last 14 years. It's compliance with California Gov't Code, Section 12410.6 (b) [Mandatory Auditor Rotation in California] permits it to become fully eligible to complete the proposed, 5-year contract with LACERA, plus the 2 additional, option years.

Professionals: 68 employees, of whom 37 are full-time professional auditors. All 37 professionals audit government entities, 19 of them hold CPA licenses and 16 have pension fund audit experience. The staff Brown Armstrong proposes for the LACERA engagement all have extensive experience with `37 Act county and other large, governmental defined benefit plan audits.

Services to Public Pension Fund Clients: Brown Armstrong has many resources that address the needs of public pension fund clients. The majority of their 1937 Act clients continue to receive the GFOA award. Brown Armstrong also took the lead in assisting clients with implementing GASB 67 & 68; and are already similarly active regarding GASB 72, 74, & 75.

References (Required: Two former clients / Three current clients):

Former: Los Angeles Fire & Police Pension
Pasadena Fire & Police Retirement System

Current: Los Angeles City Employees' Retirement System
Sonoma County Employees' Retirement Association
City of Fresno Retirement Systems

EIDE BAILLY LLP
Boise, Idaho

General: Eide Bailly is a limited liability partnership with 237 partners and also is a top 20 CPA firm in the nation. Eide Bailly has performed financial statement audits for 60 years and specifically for defined benefit plans for more than 25 years. It has 29 offices in 13 states, none in California.

Professionals: 1,600 employees, of whom 456 are full-time professional auditors; and of these last, 259 hold CPA licenses. Of these professionals, 170 audit government entities or pension funds. The staff Eide Bailly proposes for the LACERA engagement all have significant experience with pension plan audits. Their team originates from the Boise and Denver Offices; however, of particular note is the Consulting Partner, previously with Brown Armstrong and, as a result, worked with and is very familiar with LACERA and `37 Act California Counties.

Services to Public Pension Fund Clients: Eide Bailly has extensive resources that address the needs of public pension fund clients, particularly with respect to GASB and investment considerations. It also has broad investment knowledge and experience.

References (Required: Two former clients / Three current clients):

Former: Endowment Fund for the State of Idaho
Boise Paper Holdings LLC (Retirement Plan)

Current: Washington State Investment Board
Public Employee Retirement System of Idaho (PERSI)
South Dakota Retirement System

FINALIST FIRM PROFILE

Selection of LACERA's External Financial Auditor

August 11, 2016

PLANTE & MORAN, PLLC

Southfield, Michigan

General: Plante Moran is a professional limited liability company with 277 partners and also is the 14th largest CPA and consulting firm in the nation (6th largest employee benefit plan auditor). Plante Moran has performed financial statement audits for 72 years and specifically for defined benefit plans for those entire 72 years, with 41 partners currently dedicated to benefit plans. It has 22 domestic and international offices, none in California but it has numerous California clients that include the Counties of Orange, Santa Barbara, and Marin.

Professionals: 750 full-time professional auditors, of which 497 hold CPA licenses. Of these professionals, 200 audit government entities or pension funds plus 300 audit ERISA benefit plans. The staff Plante Moran proposes for the LACERA engagement all have extensive experience with pension plan audits. Their team originates from Michigan.

Services to Public Pension Fund Clients: Plante Moran has extensive resources that address the needs of public pension fund clients (1,200 audited annually), particularly with respect to GASB considerations. It also has broad investment knowledge and experience (\$175 billion benefit plan assets audited annually).

References (Required: Two former clients / Three current clients):

Former: Charter County of Wayne (Michigan)
City of Burton (Michigan)

Current: Municipal Employees' Retirement System of Michigan
Operating Engineers' Local 324 Pension Fund
California Earthquake Authority (CEA)



July 25, 2016

TO: Each Member
Board of Retirement

FROM: Operations Oversight Committee
Joseph Kelly, Chair
Yves Chery, Vice Chair
Anthony Bravo
Ronald Okum
David Muir, Alternate

FOR: August 11, 2016 Board of Retirement Meeting

SUBJECT: **Board Correspondence Processing Policy**

RECOMMENDATION

Recommend the Board of Retirement approve the "Policy for Processing Correspondence Addressed to Board of Retirement Members."

INTRODUCTION

Board of Retirement members occasionally receive LACERA business correspondence from members, the public, or other agencies. Although LACERA has a long standing practice requiring staff to provide the Board member a copy of the correspondence, along with any LACERA generated response, compliance has varied depending on the delivery and internal routing of such correspondence.

Recently a member wrote a benefit related letter addressed to a Board member. The letter was routed to Member Services' Correspondence and responded to by staff. However, despite the current procedures and expectations, the Board member was never sent a copy of the original letter, or the response. The member sent a second letter, addressed to the entire Board, disagreeing with staff's response. A copy of the member's second letter was appropriately sent to the Board along with a copy of the original response. The Board Chair, Mr. Kehoe, questioned why the first letter, and staff's response, was not sent to the Board member to whom it was addressed.

As a result of this oversight, Mr. Kehoe requested staff draft a policy outlining how staff will process correspondence addressed to Board members. Staff reviewed our internal processes and harmonized the various ways correspondence is handled when it comes into LACERA (e.g. mail, fax, email, physical delivery) to ensure all correspondence addressed to the Board is tracked and handled appropriately.

On July 14, 2016, the draft policy was provided to the Operations Oversight Committee for review. The Committee recommended clarifications and additions to the policy which is now presented for the Board's review and approval.

BACKGROUND

Board members occasionally receive correspondence at LACERA's office. The correspondence generally falls into one of a two categories:

- **Member/Survivor Correspondence:** Correspondence written to a Board member asking for assistance with an issue, reporting service compliments or complaints, and sharing their opinion on various topics.
- **Third Party Correspondence:** Correspondence from non-LACERA members

Correspondence can be defined as a communication addressed to a Board member. This includes mail, faxes, email, and physical letters dropped off at the LACERA offices. In this context, correspondence does not include periodicals, educational materials, invitations, or solicitations.

Routing Board Member Correspondence

There are a number of "intake" methods for correspondence. For example, a letter may be received through the mail. Email may be received by an individual LACERA staff member or, more commonly, through LACERA's [welcome@lacera.com](mailto:welcomes@lacera.com) email address. Faxes may be received by the Document Processing Group (DPC) or may be received directly by other areas of LACERA operations (albeit on a very rare occasion). Finally, members may also drop off letters at the Member Service Center.

In most cases, correspondence received is routed through the DPC prior to being distributed physically or electronically to the appropriate division. DPC receives the mail, evaluates where it should be sent, and if it is member related, scans the correspondence into the system for delivery to the staff's electronic member correspondence work queue. However, DPC has special rules for handling mail that is addressed to Board members. If the envelope is addressed to a Board member it is sent to the Board Secretary unopened. If the envelope is not addressed to a Board member, but the correspondence inside is addressed to a Board member, the letter is again forwarded to the Board Secretary. If the correspondence is not addressed to the Board member but a Board member is copied on the member's letter, it is scanned into the system as member correspondence, sent to the appropriate work group for processing, and the Board member receives a copy of the member correspondence with the staff's reply.

The board secretaries forward Board correspondence marked "personal" or "confidential" directly to the Board member without opening the correspondence. For all other correspondence, the original is sent to an Executive Officer to determine the appropriate response action. The Executive Officer may choose to respond directly, or may choose to delegate the response. Once the Executive Officer determines how the letter will be handled, a copy is sent to the Board member with a stamp identifying

how the correspondence will be handled (e.g. referred to Member Services Correspondence or referred to the Administrative Appeal process, etc.). When the correspondence is addressed to a specific Board member, the response to the member is on the Board member's behalf and a copy of the response is provided to the Board member through the established delivery methods.

Electronic correspondence is forwarded to the Board member electronically. Electronic correspondence received through the welcome@lacera.com email is routed to the Assistant Executive Officer over Member Services prior to being sent to the Board member. This extra step is required since we do not share the Board member's personal email address with all staff.

Member Correspondence Processing

As previously noted, not all correspondence addressed to a Board member is copied and provided to the Board member. Some correspondence is routine in nature and DPC has discretion (when a letter is not marked "private" or "confidential") to scan and route the request to the appropriate work queue. In some instances a member may address a routine address change request to a Board member. There is no comment on service, complaint, or opinion to share; the member for some unknown reason decides to address a routine member service request to a Board member.

However, there are times that a member will address LACERA regarding an issue of concern and copy a Board member. Member Services and Retiree Healthcare (the two areas of LACERA that generally handle a majority of member correspondence) will review the member's letter and take appropriate action. This action could be providing additional information to the member, correcting a problem, or addressing a member's appeal.

In this case, Member Services' written procedures require the Board member receive a copy of the response sent to the member. In reviewing the procedures for developing the new policy, it was noted that the policy did not require staff to forward the member's letter to the Board member as well. This oversight has been corrected in the new policy.

Retiree Healthcare has similar procedures. Letters where a member has copied a Board member are addressed and then a copy of the letter and the response are forwarded to the Board Secretary for distribution to the Board member.

The Legal Office also occasionally receives correspondence directly from a member. Some of these can indicate that a Board member has been copied. In most cases, Legal will review the correspondence, and if it is not related to an ongoing legal issue (dissolution or pending court case), will forward the letter to the Executive Office. The Executive Office then decides the appropriate handling method and begins the process.

Proposed Policy

Staff understands that transparency regarding member and third party communications with the Board is critical in order for the Board to have proper oversight over the administration of the system. It has always been staff's intention that every Board member receives the correspondence addressed to them, or those that they have been copied on, and a copy of any subsequent response in a timely manner.

We also recognize it is a good practice to have an organization policy to ensure this expectation is met. The development of the proposed policy involved several divisions throughout LACERA and provided an opportunity to harmonize the internal procedures as well as create a centralized tracking method to ensure adherence to the policy.

At the same time, we feel this proposed policy provided us with an opportunity to address several issues that routinely come up when handling correspondence. The proposed policy clarifies what is considered routine member service requests that can be administered by staff without Board notification. It also provided us with an opportunity to address privacy considerations.

The policy as presented here includes the following recommendations from the Operations Oversight Committee:

- The requirement to indicate which division, process, or staff member the correspondence has been assigned to address the member's concerns.
- Clarifies any routine changes that also include a complaint or service issue be forwarded to the Board member(s).
- The policy includes a Routing at a Glance chart as a reference for how different types of correspondence will be handled.
- Requires the inclusion of a cover memo reminding Board members of proper privacy procedures in the event they receive a letter containing Personal Information or Personal Health Information.

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD approve the "Policy for Processing Correspondence Addressed to Board of Retirement Members."

JJP:jjp

Attachment

LACERA POLICY STATEMENT

PROCESSING CORRESPONDENCE ADDRESSED TO BOARD OF RETIREMENT MEMBERS

(Effective September 1, 2016)

I. Purpose

The Board of Retirement (Board) has a fiduciary duty to oversee LACERA's operations. In the course of a Board member's duty, he or she may receive correspondence at LACERA from a variety of sources for varying purposes. This correspondence may be addressed and sent directly to a Board member through LACERA or indirectly by means of correspondence directed to a division within LACERA and copied to the Board or Board member(s). Correspondence is defined as physical documents and electronic email.

Board members should have timely access to any correspondence addressed to them directly and should be made aware on a timely basis of any correspondence on which they have been copied.

However, the Board recognizes that not all correspondence addressed or copied to the Board member(s) requires direct action or follow up by Board members themselves. Some correspondence is of routine nature and may not rise to the level of the Board's oversight.

The Board also recognizes that some correspondence may be received directly by the Board member without being processed through LACERA's offices. To the extent that these communications require some action or response from LACERA, the Board members acknowledge the correspondence should be referred to the LACERA Executive Office for processing.

Therefore, the Board sets forth the following directions for the processing of Board addressed correspondence:

II. Statement of Policy

1. **Personal and Confidential:** The Board directs staff to promptly forward any correspondence addressed to a Board member, and marked "personal", "confidential", or any variation thereof, directly to the addressed Board member without staff review.

2. **Addressed to Board Member:** The Board directs staff in the Executive Office, including Board and Executive secretaries, to promptly open and review any correspondence addressed to a Board member, but not marked "personal" or "confidential" or some variation thereof, and determine the appropriate course of action in accordance with this policy. A copy of all such correspondence shall be promptly forwarded to the Board member and shall indicate the division, process, or staff member assigned to respond to the correspondence.
3. **Exception for Routine Account Maintenance Requests:** Not all correspondence addressed to a Board member requires Board member oversight. In some cases, members send routine account maintenance requests (i.e. address changes, direct deposit changes, disability applications, medical enrollment requests, etc.) for the Board member's attention. This type of correspondence shall not be forwarded to the Board member. However, if there is a complaint or service issue raised by the member a copy of the correspondence will be provided to the Board member(s).
4. **Response to Correspondence:** The Board directs staff who are assigned the responsibility of responding to the correspondence on the Board's behalf, to promptly provide a copy of the completed response to the Board member.
5. **Privacy Considerations:** Members, survivors, and others corresponding with LACERA may choose to provide Personal Information (PI) and Personal Health Information (PHI) in their correspondence. In an effort to protect member data, all letter copies provided to Board members (with the exception of those not reviewed as specified under Section 1 above) shall have any PI or PHI information redacted from the copy of such correspondence and the copy of the response.
6. **Board Members Receiving Correspondence Directly Requiring LACERA Action:** Board members may receive correspondence directly without being processed through LACERA or correspondence labeled "personal" or "confidential" that was processed by LACERA but not reviewed by staff (as specified under Section 1 of this policy) which requires some action or response from LACERA. In these cases the Board member should provide the original correspondence to the LACERA Executive Office for processing by the appropriate staff. Email should be forwarded to the Board Secretary and then deleted by the Board member. Board members are asked to provide the original correspondence to ensure that all privacy policies are followed regarding any Personal Information or Personal Health Information.

This chart represents a quick reference for the treatment of incoming correspondence addressed to the Board of Retirement:

Correspondence Routing at a Glance				
	Marked Personal/Confidential	Addressed to Board Member(s)	Board Member(s) Copied	Routine Request
Letter	Routed - Unopened	Copy – Response to follow	Copy - with Response	Routed Only if Complaint / Service Issue
Fax / Email	Routed – Unread (as much as possible)			

III. Implementation

The policy is established pursuant to the Board of Retirement’s fiduciary responsibility to prudently administer the retirement plan in accordance with the County Employees Retirement Law of 1937, the Public Employees' Pension Reform Act of 2013, the California Constitution, and other applicable laws. This policy may be modified in the future by Board of Retirement action. This policy shall be effective immediately upon adoption by the Board of Retirement.

Adopted:



August 1, 2016

TO: Each Member
Board of Retirement

FROM: Operations Oversight Committee
Joseph Kelly, Chair
Yves Chery, Vice Chair
Anthony Bravo
Ronald Okum
David Muir, Alternate

FOR: August 11, 2016 Board of Retirement Meeting

SUBJECT: **Records and Information Management Policy**

RECOMMENDATION

The Board of Retirement approve the Records and Information Management (RIM) Policy dated July 1, 2016.

EXECUTIVE SUMMARY

LACERA's information and records are vital assets for ongoing operations and historical documentation of business decisions, activities, and transactions. Accordingly, LACERA's Administrative Services Division documented and published a Records Retention Policy and Schedule, which was approved by the Board of Retirement in 2008.

Since 2008, as the information age has advanced, records and information sharing practices have taken on added significance in today's global environment. Records provide crucial internal information that support business operations and historical reference materials necessary for management decisions. An adequate retention and access is necessary to the organization's ability to communicate efficiently across divisions in order to support and protect LACERA members. Faced with these needs and a steadily increasing number of changes to the complexity of legal requirements regarding records management, it is important that LACERA address the issue of records management in an orchestrated manner.

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Administrative Services' Records and Information Management (RIM) Unit reviewed the organization's current records retention policy to test our current practices to verify alignment with current industry best practices. Based on our research, we determined that a records retention policy should be comprehensive and should provide governance that addresses privacy and security, records ownership, roles and responsibilities, the record's lifecycle, legal holds, training, maintenance, and audits.

Based on this review LACERA's RIM Unit created a new Records and Information Management (RIM) Policy for the Operations Oversight Committee's consideration. The new RIM Policy includes recommendations from Internal Audit, industry best practices, and the Legal Office has reviewed and approved the form and content.

The new policy was presented to the Operations Oversight Committee in July. The Committee approved the policy with requests for changes which have been incorporated into the final policy being presented to your Board for consideration. Attached is a copy of the Records Retention Policy and Schedule (2008) for comparison to the changes within the new RIM Policy.

DISCUSSION

The Administrative Services' RIM Unit has completed its project to reengineer to manage records consistently and effectively. The proposed RIM Policy addresses areas directly affecting the accuracy, efficiency, and effectiveness of business processes throughout the organization.

Legal requirements governing records management continue to evolve. It is paramount the organization follow industry best practices to ensure compliance and operating efficiency. Staff completed a review of "best practices" from a variety of government and private sources. This review included historical research into the development of these best practices and trend analysis of the most common elements included in policies from:

- Los Angeles County
- Governmental Agencies including various 37 Act Retirement Systems

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- Record retention requirements as prescribed by local, state and federal regulations
- Association of Records Managers and Administrators (ARMA International) – ARMA is an international association that focuses on education for best practices, legal statutes, and methodologies specific to records information management.

The proposed RIM Policy provides enhancements in the following areas:

- **Compliance:** Staff added more stringent compliance guidelines in order to mitigate the legal risk and exposure to LACERA that includes:
 - Clearly defining the roles and responsibilities of management, staff, and the RIM Unit, while maintaining accountability to achieve compliance.
- **Records Retention Schedule:** Make the retention schedule separate from the Policy in order to enhance staff's ability to regularly update or make changes to the schedule for legal compliance.
- **Inventory and Schedule Maintenance:** The new RIM Policy includes a revised Records Inventory and Maintenance schedule. This includes new procedures to oversee records maintenance such as a quarterly records purge. The new procedures are written to facilitate staff's compliance and will mitigate organizational risk by:
 - Reducing LACERA's legal exposure due to non-compliance with federal regulations on records management.
 - Limiting the amount of hard copy materials taking up valuable office space by freeing up additional space that can be utilized more efficiently.
 - Improve record safeguarding in the event of a disaster.
- **Training:** The enhanced training curriculum includes a discussion regarding the importance of records management and the risks associated with poor records management. Providing well defined training to all Records

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Coordinators and Management will ensure they receive consistent guidance on the new procedures and their roles and responsibilities.

OPERATIONS OVERSIGHT COMMITTEE RECOMMENDATIONS

Based on the Operations Oversight Committee (OOC) recommendations, we made adjustments to Section 8.3 Emails. The OOC was concerned there may be confusion regarding the directions for the retention of email records within the policy and the actual retention schedule. The adjustments clarified the difference between email as a transmission method only and the content in an email, which can be considered Official and Vital records. The revision of this section of the policy is more comprehensive and addresses that all Official and Vital records must be saved in a format other than email, as the email itself is only retained for a short period of time before it is deleted by the system. We have included a copy of the policy with section highlighted in order to identify the difference.

SUMMARY

The new RIM Policy is critical to establishing an effective records retention program. We believe the new RIM Policy provides greater consistency in records retention practices throughout the organization. The new RIM Policy differs from the 2008 Records Retention Policy, in that it better supports LACERA's business needs, and establishes more consistent compliance expectations creating accountability amongst management and staff. The methodologies used in producing the new RIM Policy provide a strong foundation for the RIM Program at LACERA, now, and in the future.

Once the Board of Retirement approves the Records and Information Management Policy, the document and the overall RIM program will be reviewed on an annual basis in accordance with the RIM Policy.

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD approve the Records and Information Management Policy dated July 1, 2016.

jb

Attachments:
Records and Information Management Policy
Records Retention Schedule and Policy



Los Angeles County Employees Retirement Association

RECORDS & INFORMATION MANAGEMENT (RIM) POLICY

Last Revised: July 1, 2016

Records & Information Management (RIM) Policy

Subject	Records & Information Management (RIM)
Effective Date	TBD
Date of last revision	July 1, 2016
Previous policy	Records Retention Policy and Schedule
Contact	James Beasley
Related documents	Records & Information Management (RIM) Manual Records Retention Schedule

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1. Background & Rationale

1.1 Background

The Records & Information Management (RIM) Policy replaces the previous Records Management Policy that was approved by the Board of Retirement on March 13, 2008.

1.2 Rationale

LACERA recognizes that information and records are assets, vital for both ongoing operations and also in providing valuable evidence of business decisions, activities, member information, and transactions.

2. Purpose

The purpose of the RIM Policy is to (1) establish an efficient organization-wide records management system for identifying, maintaining, retrieving, preserving and destroying records, (2) ensure that records are adequately protected, (3) preserve LACERA's history, (4) ensure that records that are no longer needed or of no value are destroyed at the appropriate time, (5) comply with all applicable local, state, and federal laws and regulations, and (6) provide guidance for the Managers, Staff, and other constituencies with respect to their responsibilities concerning document retention and destruction.

3. Authority, Application & Compliance

3.1 Authority

This policy has been authorized by the Board of Retirement and is available to all staff. It has been developed in consultation with the Legal Office and will be revised, as provided in Section 3.4. Ownership of the policy rests with the Records and Information Management (RIM) Unit in Administrative Services whom are responsible for LACERA's compliance with policy requirements and recordkeeping standards.

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3.2 Application

All staff must comply with this policy in their conduct of official business for LACERA. This policy applies to records in all formats, including electronic records.

3.3 Compliance

Compliance with this Policy will be monitored by the Records Information and Management Unit (with the support of management). Failure to comply with this Policy, particularly, disobeying any preservation/litigation hold could result in possible civil or criminal sanctions. In addition, for staff, it could lead to disciplinary action including possible termination.

3.4 Policy Updates

The RIM Unit will update this Policy as needed if there are any changes in the business or regulatory environment. Minor changes or updates such as contact information, grammatical errors and online references do not require review/approval by the Operations Oversight Committee and Board of Retirement. This Policy will be reviewed by the RIM Unit and the Legal Office on an annual basis.

4. General Provisions

LACERA records, which may be electronic or paper form, shall be retained in accordance with the applicable guidelines including internal, state, and federal regulations. Records that do not need to be retained shall be destroyed after the requisite retention period has passed. A log or other documentation of records destruction will be created to track compliance with periodic audits for regulatory compliance. Pending or potential litigation may require a “hold” or suspension of regularly scheduled destruction of records or other information.

4.1 Definitions:

Non-Record Material: “Non-record material” consists of library material, publications not produced by LACERA, blank forms, and other materials that do not record the position or operations of the organization.

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Official Record: An “official record” reflects the final, official record position or activities of an organization related to the specific content of the record.

Record: A “record” is any information, paper or electronic, recorded in a tangible form that is created or received by LACERA and documents some aspect of its operations.

Unofficial Record: An “unofficial record” does not yet reflect the final, official position or activities of an organization and are subject to change before completion.

Vital Record: As part of the Records Information and Management program and the Business Continuity Program, Vital Records are essential to the survival of the organization and are identified for protection from destruction in the event of a disaster. During the records inventory, which is conducted every five (5) years or when required, each division will determine which records for which they are responsible contain information vital for continued operations should a disaster occur. LACERA’s Vital Records include those documents that are critical for both ongoing operations and also in providing valuable evidence of business decisions, activities, member information, and transactions.

4.2 Roles & Responsibilities

All Employees: All employees are responsible for the creation and management of information and records as defined by this Policy including, but not limited to, safe storage, quick retrieval, records confidentiality, and appropriate records retention period for any

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record identified on the Record Retention Schedule.

Assistant Executive Officers: The AEO is responsible for the visible support of, and adherence to, this Policy by promoting a culture of compliant records and information management within the organization and contributing to the development of strategic documents such as the records and information management framework and strategy.

Chief Executive Officer: The CEO is ultimately responsible for the management of information and records within LACERA. The CEO promotes compliance with this Policy and delegates responsibility for the operational planning and running of the records and information program to the Assistant Executive Officer(s).

Contract Staff: Contract staff should create and manage records in accordance with this Policy to the extent specified in the contract.

Legal Office: The Legal Office is responsible, annually, for reviewing and approving any updates or changes to the retention schedule and RIM Policy, ensuring compliance with minimum retention periods pursuant to state, federal, and/or regulatory requirements; and communication of the implementation of "preservation hold," "litigation hold," or "legal hold" procedures that supersede an established retention schedule. The Legal Office will work with the RIM Unit as needed on an ongoing in connection with implementation of this policy.

Managers/Supervisors: Managers and supervisors are responsible for ensuring staff, including contract staff, are aware of

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and follow the records and information management practices defined in this Policy. They should advise the RIM Unit of any barriers to staff complying with this Policy. They should also advise the unit of any changes in the business environment which would impact the records and information management requirements.

RIM Unit:

Under the leadership of the delegated Division Manager, the RIM Unit is responsible for overseeing the management of records and information consistent with the requirements described in this Policy. This includes providing annual training, advice and general support to staff, overseeing the proper use of record destruction methodologies, records inventory, and ongoing maintenance of the Record Retention Schedule. Information management products and tools may be used in the execution of the RIM Unit's duties and such tools may include data systems to assist in the creation of complete and accurate records, developing and implementing strategies to enable sound records management practices, monitoring compliance with the RIM Policy, procedures, and directives, and advising the AEO(s), Internal Audit, and the Legal Office of any risks associated with non-compliance. The RIM Unit will review the RIM Policy on an on-going basis to ensure organizational efficiency, as provided in Section 3.4.

Systems Division:

Systems staff is responsible for supporting the RIM Program by maintaining the technology for LACERA's business information and records systems necessary for the implementation of this Policy, including appropriate system accessibility, security and back-up. Systems and RIM staff have an important joint role in supporting the

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organization to ensure compliance with LACERA's policies, procedures, and guidelines of the records and information management program.

5. Records as a Resource

LACERA recognizes that its records are a vital asset to:

- facilitate information accessibility, and enhance operations by supporting program delivery, management and administration
- deliver member services in an efficient, fair and equitable manner
- provide evidence of actions and decisions and precedents for future decision making, and
- protect the rights and interests of the County of Los Angeles, LACERA and its members

6. Benefits

The RIM Policy ensures the reasonable and good faith retention of all records created by or under the control of LACERA, whether paper or electronic, that are necessary or advisable to retain for: business operations; historical value; payment of member benefits; member service; accounting, audit, tax and financial purposes; compliance with applicable law; possible future use in litigation involving LACERA; and possible future use in an official proceeding, audit or other matters. A legal hold notice shall be issued by the Legal Office when it becomes necessary to preserve a record or other information which may not otherwise be retained or is scheduled or due for ordinary and appropriate destruction in accordance with this Policy.

RIM's primary concern is the efficient and effective management of information. The guiding principle of RIM is to insure that information is available when and where it is needed, in an organized and efficient manner, and in a well-maintained environment. RIM is more than the retention schedule and the disposition of records; RIM also encompasses all the record-keeping requirements that allow LACERA to establish and maintain control over information flow and administrative operations. RIM seeks to control and manage records

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through the entirety of their life cycle, from their creation to their final disposition.

Other benefits of effective records management include:

- Space Savings
- Reduced expenditures for new filing equipment
- Increased efficiency in information retrieval
- Compliance with legal, administrative, and fiscal retention requirements
- Identification and protection of Vital Records
- Identification of records with research value
- Identification of records with historical value

7. Best Practices

Best practices, based on documented experience from a variety of recognized sources, are contained in the Policy, and will be maintained through the Policy review process, to help avoid problems and maintain high standards for Records and Information Management at LACERA. Best practices, as documented in the Policy, extend to LACERA's general policy and practices, codes of conduct, and related procedures, and are the basis of good Records and Information Management.

8. Elements of the Records & Information Management Program

8.1 Storage

Current hardcopy records should be stored in designated storage areas with access restrictions as appropriate to the level of confidentiality required.

Rarely used records or records no longer in use for official purposes that are still required to be retained in accordance with the current Retention Schedule should be forwarded to archive. Electronic records must be retained on LACERA's network. Records of short term value will be disposed of at suitable

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intervals by the Systems Division. Records of long term or archival value should be retained on LACERA's network.

8.2 Records Retention Schedule

A retention schedule is a control document that sets out the amount of time that LACERA needs to keep certain types of records in accordance with state or federal guidelines and as necessitated by business practices. The schedule applies to all records irrespective of the format in which they are maintained or the media upon which they are held.

A properly prepared and approved Records Retention Schedule is LACERA's legal authority to do what needs to be done with records and documents entrusted to the organization's care. It certifies the life, care, and disposition of LACERA records.

A Record Retention Schedule does not look at individual records but rather at the individual group, records series or collection of related records, and, for retention purposes, are evaluated together.

The Record Retention Schedule will be reviewed annually in accordance with the Policy and amended as needed to reflect changing legal requirements, business needs or evolving practices. The authority for any changes made to the Record Retention Schedule to conform to applicable state or federal laws and the necessity for business purposes is delegated to the CEO or his/her designee. Changes will be approved by the Legal Office prior to being made.

8.3 Emails

Email messages are electronic records created and sent to, or received by, a user of a computer system. The email itself is a communication method of transmission of information. Official and Vital Records created using the email system should be saved to an appropriate archival medium. It is each individual user's responsibility to apply the appropriate retention period from the Records Retention Schedule ("Schedule") to the subject matter of the email, including any attachments. Each user is responsible for the application of the proper retention period regardless of whether they are the sender or the receiver and

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regardless of whether the email is sent/received internally or sent/received externally.

For example, an email from a member to a Member Services Retirement Benefits Specialist regarding a member's account would be classified as a "Member Record" on the Records Retention Schedule and must be stored indefinitely in the member's account per the Schedule.

Email messages that are not archived to an appropriate medium will remain in the email system for sixty (60) calendar days from inception date, and then moved automatically by the email system to the "Trash" folder; items in "Trash" will be deleted within fourteen (14) calendar days, from placement in the "Trash" folder, regardless of the inception date. Support can be obtained from the Systems Division with respect to the proper archiving of email messages. LACERA's email is for business purposes only.

Comment [B1]: Changes to Section 8.3 were based on request from the Operation Oversight Committee.

8.4 Preservation/Litigation Hold

Records should be kept for a period of time not exceeding the established retention period, unless under relevant litigation or potential litigation, audit, or investigation and are subject to litigation holds. If the Legal Office informs you, that LACERA records are relevant to litigation or potential litigation you must preserve these records until the Legal Office determines that the records are no longer needed. This exception supersedes any previously or subsequently established destruction schedule for those records such that records subject to a litigation hold should not be destroyed with the permission of the Legal Office. Further, if state or federal regulations specifies a longer retention period for any record identified on the retention schedule, state or federal regulations will supersede the Record Retention Schedule, as monitored and communicated by the Legal Office. Legal Office will inform RIM staff of any updates or changes that need to be made to the retention schedule, ensuring compliance with minimum retention periods pursuant to state, federal, and/or regulatory requirements. If you have questions concerning retention of records that may be relevant to litigation or a legal issue, regardless of whether they are subject to a litigation hold, the Legal Office should be consulted and will provide guidance.

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8.5 Access

Records must be available to all authorized staff that requires access to them for business purposes. All public access to LACERA records can be made through the Request for Public Records process. Questions regarding public access to documents should be directed to the Legal Office.

8.6 Contractors & Outsourced Functions

All records created by contractors performing work on behalf of LACERA belong to LACERA and are LACERA records, subject to the terms of LACERA's contract with each individual contractor. This includes the records of contract staff working on the premises as well as external service providers.

Contracts should clearly state that ownership of records resides with LACERA, and instructions regarding creation, management, and access to the records created. The Legal Office must be consulted during the formulation of the contract.

8.7 Maintenance & Monitoring

The location of all maintained records should be recorded and updated at every movement of the record. This ensures that records, as assets, can be accounted for in the same way that the other assets of LACERA.

The RIM Unit is responsible for ensuring that records and environmental conditions are monitored regularly to protect records. This includes checking temperature and humidity levels in dedicated records storage areas for paper records as well as regularly validating proper maintenance of records at offsite storage facilities.

The Systems Division is responsible for ensuring that digital records are stored, refreshed, and secured as required.

LACERA has implemented a number of security and Business Continuity measures, including information security policies, for safeguarding its information assets. Staff should abide by these measures at all times.

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8.8 Transfer

LACERA has an off-site storage facility for the storage of physical records that are infrequently used for business purposes but still need to be retained according to the Records Retention Schedule. The RIM Unit is responsible for transferring these records to the facility.

8.9 Disposal

LACERA has a defined Records Retention Schedule for all divisions. The RIM Unit recommends that disposal actions are assigned to records in all formats on creation to ensure they are managed appropriately. No LACERA records can be dispensed of unless in accordance with the Records Retention Schedule. Approval and signed authorization for retention, destruction or transfer of records must be sought from the appropriate division manager before any disposal takes place.

Records shall be maintained for as long as the period stated in the Records Retention Schedule, which schedule is based on the minimum periods required by applicable state or federal law, and necessity for ongoing business purposes. Unless a legal hold is in effect, destruction of records shall occur within one (1) month after the time period stated in the Records Retention Schedule has been met. Management will be contacted prior to the scheduled destruction for their final approval. Any request to extend the retention period of a document or a series of documents, must be made in writing to RIM staff providing business justification and approved by the Legal Office.

The RIM Unit will monitor and assure compliance with the disposal requirements of the Records Retention Schedule.

8.10 PROCEDURES MANUAL

The Administrative Services RIM Unit shall be responsible for preparing and maintaining a procedures manual that details the records management process and any delegated duties and defined terminology. This procedures manual shall include this policy and must be approved by the Chief Executive Officer.

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These procedures may be modified at any time as deemed necessary, provided that the procedures remain within the framework of this policy.

In the event that there is a conflict between this policy and the procedures manual the policy shall prevail.

DRAFT

RECORDS RETENTION POLICY AND SCHEDULE

RECORDS RETENTION POLICY

The purpose of the records retention policy is to ensure that LACERA maintains records that are essential to its operation, to reduce costs and improve the efficiency of recordkeeping, and to ensure legal compliance with state, federal and regulatory requirements.

Records and Information Management (RIM) is the systematic control of all records, regardless of its form or the medium on which it is stored, from their creation or receipt, through their processing, distribution, storage, and retrieval to their disposition. These records consist of writings, films, tapes, electronic or computer based information, or data compilations in any format or medium, graphical images, and voice or data transmissions. Information can be stored on a variety of storage media, such as microfilm, microfiche, diskette, optical disk, CD-ROM, videotape, paper, etc. The minimum retention requirement is determined by content, not by the format or media.

DEFINITIONS

Record: Information preserved by any technique in any medium; physical or electronic.

Official Record: An "official record" reflects the final, official recorded position or activities of an organization related to the specific content of the record.

Unofficial Record: An "unofficial record" does not yet reflect the final, official position or activities of an organization and are subject to change before completion.

Non-Record Material: "Non-record material" consists of library material, publications not produced by LACERA, blank forms, and other materials that do not record the position of the organization.

RESPONSIBILITIES

- a. Records and Information Management staff are responsible for the development, implementation and review of records retention policies and schedule and for obtaining the approval of such policies by the Board of Retirement. Also, Records and Information Management staff are responsible for managing the records retention for all Divisions to ensure safe storage, quick retrieval, records confidentiality, and appropriate records retention;

RECORDS RETENTION POLICY AND SCHEDULE

- b. The Legal Office is responsible for reviewing and updating the records retention policy, ensuring compliance with minimum retention periods pursuant to state, federal, and or regulatory requirements; and communicating the implementation of "preservation hold" or "litigation hold" procedures that supersede an established retention schedule;
- c. The Systems Division is responsible for ensuring compliance with "litigation hold" and "preservation hold" policies pertaining to electronic or computer based information;
- d. All employees are responsible for complying with the records retention policies and schedule.

E-MAIL RECORDS RETENTION

E-mail messages are electronic records created and sent to, or received by, a computer system. This definition applies to the contents of the communication, the transactional information, and any attachments associated with such communication. The content of e-mail messages may vary considerably, and therefore, you must evaluate the email to determine the length of time the message must be retained. It is the content and function of an e-mail message that determines the retention period for that message. Therefore, records created or received using an e-mail system will be retained according to the approved retention period.

It is the responsibility of the user of the email system to manage e-mail messages according to the retention policy. It is the responsibility of the sender of e-mail messages and recipients of messages from outside of LACERA to retain the messages for the approved retention period. Records created using the e-mail system may be saved to an appropriate archival medium.

The retention period of email messages that are not saved is the following: Items in "Inbox", and "Sent Items" will remain sixty (60) days from inception date, and then removed to "trash"; items in "trash" will be deleted in fourteen (14) days, regardless of inception date.

PRESERVATION/LITIGATION HOLD

Records should be kept for a period of time exceeding the established retention period if they are relevant to litigation or potential litigation, audit, or investigation. If you believe, or the Legal Office informs you, that LACERA records are relevant to litigation, or potential litigation (ie. a dispute that could result in litigation), you must preserve these records until the Legal Office determines that the records are no longer needed. This exception supersedes any previously or subsequently established destruction schedule for those records. Further, if state or federal regulations specify a longer retention

RECORDS RETENTION POLICY AND SCHEDULE

period for any record identified on the retention schedule, state or federal regulations will supersede the records retention schedule.

RECORDS RETENTION SCHEDULE

LACERA shall retain records for a period of time consistent with an approved retention schedule. This period of time, called "the retention period", applies whether the record is on paper or residing on magnetic or optical media (hard disk, floppy disk, tape, CD, etc.). Once records have reached their designated time for destruction, they should be eliminated from all storage media and destroyed by approved methods.

Drafts generally are not retained and should never be retained longer than the official version that becomes the record.

Records Retention Schedule

Retention ID	Records Category	Records Description	Official Records Retention	Retention Trigger	Duplicate Copies Retention	Office of Record
ADMINISTRATIVE RECORDS						
ADM2000	Actuarial Analysis Reporting	Records of information sent to actuaries for study. Information includes but is not limited to sample reports, correspondence, member benefit information, etc.	CY+5		MAX 3	Systems
ADM2005	Board Meeting Agendas/Minutes	Minutes and agendas from the Board of Retirement, Board of Investments, Joint Board and Board Committee meetings. Includes Board Resolutions, Board memos and green folder items.	IND		MAX 6	Executive Office
ADM2008	Board Meeting Audio/Video Recordings	Audio and video recordings of board meetings.	30 days		30 days	Systems
ADM2010	Board Member Records	Records that document board member's meeting attendance, training, appointment related information and personal information.	AT+7		MAX 3	Board Offices
ADM2020	Business Continuity Plan	Business continuity and resumption plan.	SUP		SUP	Administrative Services
ADM2030	Business Impact Analysis Files	Records relating to the analysis of potential threats and impact on the organization.	CY+6		MAX 3	Administrative Services
ADM2040	Company Vehicle Records	Records relating to the purchase of company vehicles. Includes but is not limited to certificate of title and registration.	ACT+7	Upon sale of vehicle.	ACT	Administrative Services
ADM2050	Consulting Actuarial Valuations	Annual actuarial valuations. Includes but is not limited to financial statement, source documents, participant data, STAR COLA report, operating tables, etc.	IND		MAX 5	Executive Office
ADM2070	Facilities Maintenance	Records relating to design, maintenance and repair of company facilities. Includes but is not limited to floor plans, drawings and maintenance requests.	ACT+1		ACT	Administrative Services
ADM2080	Facilities Asset Management	Records related to movement and/or tracking of company equipment, furniture or other tangible assets. Includes but is not limited to records related to equipment inventories and tracking of equipment.	ACT+7	Upon sale or disposal of assets.	MAX 3	Administrative Services
ADM2100	Insurance Policies	General and fiduciary insurance liability programs. Includes employee crime and employment practices liability coverage.	IND		MAX 3	Administrative Services
ADM2110	Internal Services	Records related to providing internal support for company personnel including services and supplies. Includes but is not limited to supply orders and user requests.	CY+3		MAX 3	Administrative Services
ADM2120	Records Destruction	Records of the destruction of company records. Includes destruction certificates.	IND		MAX 3	Administrative Services
ADM2140	Sale of Obsolete Equipment	Records relating to the sale of obsolete company equipment. Includes but is not limited to approvals, item listings, transmittals and sale documents.	CY+7		MAX 3	Administrative Services
ADM2150	Security	Records related to the protection and security of company staff and property. Includes but is not limited to key card lists, visitor sign-in logs, etc. See HUM2065 for Incident Reports.	CY+3		MAX 1	Various

ACT=Active, AC=After Closed, AT= After Termination, CY=Current Year, IND=Indefinite, MAX=Maximum, SUP=Superseded

Records Retention Schedule

Retention ID	Records Category	Records Description	Official Records Retention	Retention Trigger	Duplicate Copies Retention	Office of Record
AUDIT RECORDS						
AUD2000	Audit Records	Records documenting internal and external audits. Includes but is not limited to actuarial audits, advisor audits and work papers.	ACT+10	Upon completion of the audit.	MAX 5	Internal Audit
AUD2040	Quality Audits and Metrics	Records of quality audit results on internal business processes and services.	CY+7		MAX 5	Various
BENEFITS ADMINISTRATION RECORDS						
BEN2000	Cobra Eligibility Files	Includes but is not limited to correspondence, enrollment forms and tax transmittals.	CY+10		MAX 5	Retiree Health Care
BEN2010	Disability Case Appeals Denied / Not Working	Records of disability retirement litigation cases that have been appealed and then denied and where the applicant does not return to work.	AC+6		AC	Disability Litigation
BEN2011	Disability Case Appeals Granted	Records of disability retirement litigation cases that have been appealed and then granted. Includes Writ of Mandate.	AC+1		AC	Disability Litigation
BEN2012	Disability Case Appeals Denied/ Working	Records of disability retirement litigation cases that have been appealed and then denied and applicant returns to work.	AT+6		AT	Disability Litigation
BEN2013	Disability Case Files	Records of disability retirement claims that have been granted without appeal. Includes applications, summary evaluations and other records related to claims for disability retirement.	AC+3		AC	Disability Investigation
BEN2014	Disability Case Files Denied	Record of disability retirement claims that have been denied. Includes applications, summary evaluations and other records related to claims for disability retirement.	AC+6		AC	Disability Investigation
BEN2016	Disability Retirement Proceeding Audio/ Video Recordings	Recordings of disability retirement proceeding before the Board of Retirement.	CY+6		MAX 6	Disability Litigation
BEN2020	Domestic Partner Year-to-Date Computed Income Reports	Report listing members who require domestic partners 1099 tax form.	CY+7		MAX 5	Retiree Health Care
BEN2030	Health Care Insurance Reports	Reports used to reconcile, monitor or distribute health care insurance premiums.	CY+7		MAX 5	Retiree Health Care
BEN2040	Member Records	Records of members personal, medical, employment and retirement information and retirement related actions during membership with LACERA. Records in this category are usually imaged.	IND		MAX 1	Various
BEN2050	Monitoring Reports	Reports documenting various monitored activity in the Client In-Basket (CIB). Includes but is not limited to accuracy reports, audit reports, CIB activity reports.	CY+5		MAX 3	Various

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Records Retention Schedule

Retention ID	Records Category	Records Description	Official Records Retention	Retention Trigger	Duplicate Copies Retention	Office of Record
FINANCIAL RECORDS						
FIN1000	Budgets	Records relating to the projection and allocation of funds. Includes but is not limited to annual budget, quarterly reports and control reports.	IND		MAX 3	Administrative Services
FIN1010	Disbursements and Receipts	Records related to payment of financial obligations and receipt of revenues. Includes but is not limited to records related to vouchers, vendor invoices, W-9 forms, financial statements and reports, cancelled checks, payroll and payroll deductions.	CY+7		MAX 3	FASD
FIN1020	Federal and State Tax Reporting Files	Records relating to Federal and State tax reporting. Includes form 1099R, corrections, correspondence and other records relating to federal and state tax filing.	ACT+7	Tax return filing date.	MAX 3	FASD
FIN1050	Journals and Ledgers	Records used to record charges between company accounts and for summarizing account information.	CY+7		MAX 3	FASD
FIN1060	Reconciliation	Records related to reconciling accounts and verifying transactions and processes. Includes but is not limited to forms, reports and statements related to reconciliation.	CY+7		MAX 3	FASD
FIN4090	Real Property Bank Account Files	Records documenting the opening and maintenance of each bank account per property. Includes correspondence and copies of agreements..	ACT+7		ACT	Legal Office
GENERAL RECORDS						
GEN5000	Administration	Records related to divisional administration activities. Includes chronological files, attendance records, work reports, calendars, activity reports or other records not covered under any other category.	CY+3		MAX 3	Various
GEN5010	General Correspondence	General correspondence not covered under any other category.	CY+3		MAX 3	Various
GEN5020	General Logs	Records include all logs not covered under any other category.	CY+3		MAX 3	Various
GEN5030	General Records	Records that only need to be reviewed for a short period. Includes but is not limited to transmittal forms and other records not covered under any other category.	CY+1		MAX 1	Various
GEN5040	General Reports	Includes but is not limited to periodic reports which only need to be reviewed for a short period of time. Used for general reporting and analysis purposes.	CY+1		MAX 1	Various
GEN6060	Policies and Procedures - General	Records documenting internal policies and procedures for performing activities. Includes office and job practices, administrative handbooks and procedure manuals.	ACT+5		ACT	Various

Records Retention Schedule

Retention ID	Records Category	Records Description	Official Records Retention	Retention Trigger	Duplicate Copies Retention	Office of Record
GEN6070	Policies and Procedures - Organizational	Records documenting board approved policies and procedures for performing activities to ensure compliance with company and legal requirements.	IND		ACT	Various
GEN6080	Project Files	Records related to special projects that do not fall into any other category.	CY+5		MAX 5	Various
GEN6100	Request For Proposal (RFP)	Records relating to a formal request for proposal to an outside vendor or agency. Includes Request for Quote (RFQ) and Request for Information (RFI).	AC+7		MAX 5	Various
GEN6110	Surveys	Records of surveys conducted to collect information or receive feedback.	ACT+5	Following receipt of survey results.	MAX 3	Various
GEN6120	Telephone Logs	Telephone records including detailed and summary reports of telephone activity.	CY+1		MAX 1	Systems
GEN6130	Vendor Files	Records relating to activities with outside vendors and service providers. Includes but is not limited to contact information, brochures, catalogs and correspondence.	ACT+1		ACT	Various
HUMAN RESOURCES RECORDS						
HUM2000	Agency Temp Files	Records relating to temporary employees. Includes but is not limited to background information, interview information, etc.	AT+5		AT	Human Resources
HUM2005	Anti-Drug & Alcohol Misuse Prevention Program Records	Employee notification and testing records, including random test and results information.	AT+2		AT	Human Resources
HUM2010	Applications for Employment	Records of applications for employment. Includes but is not limited to application, resumes, degrees, reference, etc.	CY+2		MAX 2	Human Resources
HUM2020	Background Reports	Records of pre-employment screenings for potential new hires.	CY+5		MAX 3	Human Resources
HUM2025	Conflict of Interest Records	Conflict of Interest Code information and economic interest records, including notification memos and statements from board members, management and designated personnel.	CY+7		MAX 3	Human Resources
HUM2030	Discipline Files	Records documenting disciplinary actions taken towards employees.	AT+5		AT	Human Resources
HUM2040	DMV Employer Pull Notice Program	Records for the administration of the Mileage Permittee program. Includes but is not limited to DMV records, authorization forms, etc.	CY+5		MAX 3	Human Resources
HUM2050	Ergonomics Evaluations	Records documenting evaluations of ergonomic environment or workstation.	AT+7		AT	Administrative Services
HUM2060	Examination Files	Records kept for the purpose of documenting the employment examination process. Includes but is not limited to bulletins, statistical data and appraisals of promotability.	CY+5		MAX 3	Human Resources
HUM2065	Incident Reports	Records documenting workplace hazards, security threats, and employee injury during work hours.	CY+5		MAX 3	Administrative Services

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Records Retention Schedule

Retention ID	Records Category	Records Description	Official Records Retention	Retention Trigger	Duplicate Copies Retention	Office of Record
HUM2070	Medical Files	Records documenting medical information and claims management. Includes but is not limited to workers compensation information, family medical leave information, benefit notices, physician designation form and leave of absence.	AT+30		AT	Human Resources
HUM2080	Payroll Files	Records of employee payroll. Includes but is not limited to position and salary information, letters to the employee regarding salary, garnishments, tax withholdings information, etc.	AT+30		AT	Human Resources
HUM2090	Personnel Files	Includes but is not limited to acknowledgement forms, performance evaluations, policy agreements, employee address and emergency information.	AT+30		AT	Human Resources
HUM2100	Rideshare Program Records	Employee Commute Reduction Program Plans, AVR surveys and other rideshare information.	CY+3		MAX 3	Human Resources
HUM2110	Safety Inspection Records	Records documenting discovered corrections, violations and recommendations for workplace safety.	CY+5		MAX 3	Administrative Services
HUM2120	Telecommuting Program Records	Records documenting the oversight of company telecommuting program.	CY+5		MAX 3	Human Resources
HUM2135	Training Records	Records of company wide training. This category includes but is not limited to course descriptions, course evaluations, sign in sheets, etc.	CY+10		MAX 5	Human Resources
HUM2136	Training Records - Employee Development	Records of employee development training. Includes but is not limited to course descriptions, course evaluations, training requests, etc.	AT+7		AT	Human Resources
HUM2140	Work Related Injury and Illness Reporting	Records of work related injuries and illnesses completed Form 300 and Form 300A, including surveys required by Dept. of Labor.	CY+5		MAX 3	Human Resources

INVESTMENT RECORDS

INV3000	Compliance	Records related to investment manager contract compliance and investment guideline compliance. Includes securities lending and derivative, insurance certifications, public markets manager's Audited Financial Statements, ADV, SAS 70 reports, etc.	CY+3		MAX 3	Investments
INV3010	Correspondence and Special Reports - Consultant	Records of consultant analysis and advice. Includes correspondence, annual performance reviews, monthly log of investment opportunities, monthly/quarterly performance reports of consultants, etc.	ACT+3	Termination of agreement or disposition of property.	ACT	Investments
INV3020	Correspondence and Special Reports- Managers, General Partners, & Vendors	Records and correspondence relating to investment managers, partnerships, and vendors. Includes but is not limited to capital calls; offering memorandums; general partner information & client legal questionnaires; records for Gateway Plaza; Member Home Loan Program records, strategic plans, etc.	ACT+3	Termination of agreement or disposition of property.	ACT	Investments
INV3030	Manager Statements - Monthly, Quarterly, Annual	Records relating to manager or vendor monthly, quarterly, or annual statements including performance data, etc.	CY+3		MAX 3	Investments

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Records Retention Schedule

Retention ID	Records Category	Records Description	Official Records Retention	Retention Trigger	Duplicate Copies Retention	Office of Record
INV3040	Private Equity - Investment Working Files	Records documenting the process leading up to the signing of a partnership agreement. Includes correspondence, draft agreements, copies of all submitted documents, client questionnaire, etc.	ACT+7		ACT	Legal Office
INV3070	Proxies	Records of corporate proxies. Includes related documents, ballots, proxy analysis, etc.	CY+3		ACT	Investments
INV4000	Real Estate - Closing Binders	Purchase and sale agreements, deeds, closing statement and other documents related to purchase or sale of property.	IND		ACT	Legal Office
INV4010	Real Estate - Investment Program Records and Special Reports	Records of investment properties owned by LACERA. Includes but is not limited to correspondence, investment plans and appraisals, etc.	ACT+3	3 years	ACT	Investments
INV4020	Real Estate - Real Property Acquisition Files	Records documenting the purchase of real property. Includes correspondence, funding information, investment brief, legal service documents with outside counsel and other documents.	IND		ACT	Legal Office
INV4100	Search Candidates - Hired	Includes records related to managers and vendors hired during an RFI or RFP search process.	ACT+3	Termination of agreement or disposition of property.	ACT	Investments
INV4101	Search Candidates - Not Hired	Includes records related to managers and vendors not hired during an RFI or RFP search process.	CY+2		MAX 1	Investments

LEGAL RECORDS

LEG2000	Class Action Settlements	Includes but is not limited to notice of class actions, notice of class action settlement and other related correspondence. See LEG3000 for Settlement Agreement.	ACT+10		ACT	FASD
LEG2500	Contract Compliance	Records relating to ensuring all parties comply with contract terms.	ACT+7		ACT	Various
LEG3000	Contracts	Records related to obligations under contracts, leases, and other agreements with outside parties.	ACT+7		ACT	Various
LEG3500	Global Tax Documentation	Records documenting foreign taxes on private equity investments. Includes power of attorney forms, penalty of purgery, IRS 8802 form, etc.	IND		ACT	Legal Office
LEG4000	Legal Opinions	Records documenting the specific legal advise provided by legal counsel.	ACT+7		ACT	Legal Office
LEG4010	Litigation Files (Claims, Disputes & Litigations)	Documents prepared produced or received relating to claims, disputes or litigation. Includes correspondence, discoverable documents, subpoenas, pleadings, declaration of custodian of records, securities litigation monitoring/evaluation, etc.	ACT+10		ACT	Legal Office
LEG4020	Marriage Dissolution Working Files	Working files include correspondence, court orders, joinder documents, pleadings, etc to review court orders. For Marriage Dissolution records, see BEN2040 Member Records.	ACT+1		ACT	Legal Office

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Records Retention Schedule

Retention ID	Records Category	Records Description	Official Records Retention	Retention Trigger	Duplicate Copies Retention	Office of Record
LEG4040	Payment Requests for Title Holding Companies	Letter of authorization for the title holding company to pay invoices for legal fees related to purchase and sale of property and other related transactions.	CY+7		MAX 3	Legal Office
LEG4100	Title Holding Corporation Files	Evidence of maintenance of the title holding corporation. Includes minute books and financial statements.	IND		ACT	Legal Office
PUBLICATION RECORDS						
PUB3000	Publications	Works published to convey information to the public, company staff or association members. Includes but is not limited to annual reports and plan booklets.	IND		MAX 3	Communications
SYSTEM RECORDS						
SYS1000	Information Systems Project Files	Records documenting the development process for IRIS, CERIS, MDL and other LACERA information systems.	ACT+10	Upon decommission of information system.	ACT	Systems
SYS1030	System Change Request (SCR)	Records documenting changes to LACERA information systems.	ACT+10	Upon decommission of information system.	ACT	Systems

August 1, 2016

TO: Each Member
Board of Retirement

FROM: Steven P. Rice *SPR*
Chief Counsel

FOR: August 11, 2016 Board of Retirement Meeting

SUBJECT: **DISCUSSION AND POSSIBLE ACTION ON CHANGE IN OPERATIONS
OVERSIGHT COMMITTEE MEETING SCHEDULE**

BACKGROUND AND ISSUE

At the July 13, 2016 Operations Oversight Committee (OOC) meeting, there was discussion about changing OOC's regular meeting schedule due to a conflict in the Committee Chair's schedule. Specifically, the Committee Chair, Mr. Kelly, stated that he is a member of the Legislative Committee of the California Association of County Treasurers and Tax Collectors (CACTTC), which meets each month at 2:00 p.m. on the same day as the LACERA Board of Retirement's administrative meeting. Given the usual length of BOR meetings, Mr. Kelly stated that he cannot stay to attend OOC meetings if he is also to make the CACTTC Legislative Committee meetings. Mr. Kelly raised the possibility of holding OOC's meetings on another date or at another time, at least for so long as he is Chair of the OOC.

This memo discusses the process which must be followed to make a permanent or long-term change in the OOC's meeting schedule. In short, any such change can only be made by action of the full Board of Retirement.

DISCUSSION

The Board of Retirement's committee structure was adopted by the Board on January 4, 1995. A copy of the Board's action is Attachment A. This basic structure has remained unchanged since 1995, although the name of the Insurance, Benefits and Legislative Committee (IBLC) was revised.

The committee meeting schedule was set by Board action on April 3, 2002. A copy of the CEO's March 25, 2002 Board memo on the issue is Attachment B. A copy of the Minutes of the April 3, 2002 Board meeting is Attachment C. Specifically, as shown in

Each Member, Board of Retirement

August 1, 2016

Re: Possible Change in Operations Oversight Committee Meeting Schedule

Page 2

the Minutes, the Board voted that, "The Thursday, following the second Wednesday of each month is when the administrative agenda items would be handled. Both the Insurance, Benefits, and Legislative Committee meeting and Operations Oversight Committee meeting will be handled following the end of the Board of Retirement meeting." The minutes go on to say that this schedule will be used on a "trial basis" before being added to the BOR's Regulations. However, the issue never returned to the Board for further action, which leaves the April 3, 2002 action as the most recent Board decision on the subject. The schedule for committee meetings was never added to the Regulations.

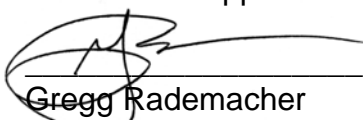
Because the OOC meeting schedule was established by vote of the full Board, it can only be permanently changed by a full Board vote. There is nothing in the Board Regulations or policies or in law that suggests otherwise. It is reasonable that the Committee Chair, in consultation with the Chair of the full Board, be allowed administrative flexibility in the spirit of cooperation and good governance to make occasional changes in the order of meetings with the full Board and IBLC on the same day to accommodate scheduling issues or other circumstances, barring an objection from another Board member. In fact, such minor changes are sometimes made for the convenience of Board members. However, a change in the regular day of the meeting (from the Thursday after the second Wednesday to some other day) and/or a change in the regular time of the meeting are not minor changes. This type of change fundamentally alters the Board's April 3, 2002 action and must be voted on by the full Board.

CONCLUSION

For the reasons set forth above, a change of the type suggested by the current OOC Chair must be made by action of the full Board of Retirement. Staff does not take a position or make a recommendation on whether a change should or should not be made in that staff serves at the pleasure of the Board. The matter is agendized for discussion and possible action as the Board deems appropriate.

Attachments

Review and Approved



Gregg Rademacher
Chief Executive Officer

Each Member, Board of Retirement

August 1, 2016

Re: Possible Change in Operations Oversight Committee Meeting Schedule

Page 3

c: Gregg Rademacher

Robert Hill

John Popowich

James Pu

Beulah Auten

Kimberly Hines

Jeannine Smart

John Nogales

Bernie Buenaflor

Derwin Brown

Allan Cochran

ATTACHMENT A

January 4, 1995 Board Action

APPROVED

JAN 04 1995

BY THE

BOARD OF RETIREMENT

LACERA

December 28, 1994

TO: Each Member:
Board of Retirement

FROM: Marsha D. Richter *MOR*
Chief Executive Officer

→ SUBJECT: **PROPOSAL TO MODIFY THE BOARD'S COMMITTEE
STRUCTURE**

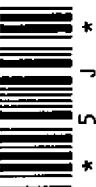
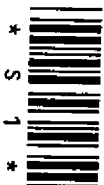
Staff suggests the Board's current committee system could be more effective if the number of standing committees were reduced with the surviving committees given larger mandates and convened according to a regular schedule of monthly meetings.

Staff anticipates the Board will be asked to adopt positions on an increasing number of complex issues. Changes in legislative leadership at both the federal and state levels of government require increased vigilance over legislative initiatives in the areas of pension and health care policy.

LACERA's re-engineering project will necessarily involve the Board in a series of decisions regarding the acquisition and implementation of new technologies, feasibility assessments of new organizational structures, the design and implementation of better service delivery systems, and on-going evaluation of the effectiveness of these efforts.

Although full exposition and debate of these many issues would be too time consuming to accomplish at regular Board Meetings, staff believes these issues can be best worked from the conceptual stage to the development of complete recommendations at the committee level.

However, the current committee system is too fragmented to facilitate effective Board/staff deliberations on these issues. In 1994, the Board had seven (7) standing committees and one ad-hoc committee. In addition, there were five (5) joint committees. Most of these committees have narrow mandates and meet very infrequently. It is often unclear which committee has jurisdiction over an issue and for those committees that meet infrequently, it has been difficult to find mutually agreeable dates to schedule necessary meetings.



Staff proposes the current committees be reduced to the following:

- **INSURANCE AND BENEFITS COMMITTEE (IBC)**

This Committee would have jurisdiction over all policy issues related to benefit design (insurance, retirement, disability, and death benefits). The Committee's mandate would include reviewing and recommending positions on all benefits related legislative proposals at both the state and federal levels. As necessary, the Committee would also be responsible for developing LACERA's legislative proposals for Board review.

- **OPERATIONS OVERSIGHT COMMITTEE (OOC)**

This Committee would have jurisdiction over administrative policies and practices used to implement LACERA's programs. The Committee would be responsible for reviewing plans involving acquisition and implementation of new technology and the use of external consultants. The Committee would also have jurisdiction over the budget and would serve as the Association's audit committee. The Committee would work with staff to set standards for service delivery and monitoring staff effectiveness.

- **DISABILITY PROCEDURES AND SERVICES COMMITTEE (DPSC)**

This Committee would be responsible for evaluating current disability procedures, identifying and recommending procedural improvements, and recruiting and evaluating the external professionals required to administer the disability retirement program.

These three (3) committees, organized as described above would incorporate the functions of the seven (7) 1994 standing committees, one ad-hoc committee, and would also replace the Joint Budget Committee. Staff suggests that the Joint Budget Committee be discontinued but the Board of Investments be invited to appoint members to the Operations Oversight Committee for review and approval of the annual budget.

Board of Retirement
Decemer 28, 1994
Page 3

Staff proposes joint committees be reduced in number to the Travel Policy Committee and a CEO Evaluation Committee. If a special issue arose that required joint Board review, a special ad-hoc committee could be established.

Staff suggests a Chair and Vice-Chair be appointed for each committee and the committee membership be comprised of those Board Members interested and willing to serve on each committee. Staff suggests that every Board Member be encouraged to serve on at least one committee and that Board Members be allowed to serve on as many as all three (3) committees if their schedules permit such participation. The three (3) committees would have set monthly meetings and would be noticed and posted in compliance with the Brown Act. Agendas and meeting minutes would be distributed to all members of the Board.

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD:

Approve staff's proposal to re-assign the responsibilities currently divided among seven (7) committees to three (3) committees: Insurance and Benefits Committee (IBC), Operation Oversight Committee (OOC), and Disability Procedures and Services Committee (DPSC).

MDR:ivi
BDCOM.DOC/DIR.RICHTM

ATTACHMENT B

March 25, 2002 Board Memo



March 25, 2002

To: Each Member
Board of Retirement

From: Marsha D. Richter *MOR*
Chief Executive Officer

→ Subject: **Board Meeting Schedule**

At the Operations Oversight Committee meeting, the Committee directed staff to evaluate expanding the Board meeting schedule to include a second meeting and to present the evaluation results to the Board of Retirement.

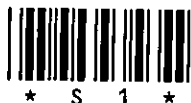
Dividing the Work Load

The Board of Retirement's by-laws require the regular monthly meeting to be held on the first Wednesday of the month at 9:00am. At this meeting, the Board addresses three main types of business: service retirement/survivor consent agenda, disability agenda including applications and appeals, and administrative matters.

A logical division of work would be to separate the administrative matters from the disability agenda. The disability agenda requires a considerable amount of preparatory time prior to the Board meeting and may require up to four hours to complete during the Board meeting. Staff believes that separating the disability agenda from the administrative matters would facilitate the Board member's calendar in preparing for the meeting and reduce the probability of having the Board meetings extend into the afternoon.

Keeping the First Wednesday Meeting

It is a longstanding tradition for the Board of Retirement to meet on the first Wednesday of each month. With this tradition, many Board members have scheduled their calendars with consideration to this commitment. Additionally, your legal staff and the attorneys representing disability applicants also restrict their calendars to ensure that they do not have other matters before the courts on this date. As such, staff would recommend we continue in the practice of hearing the disability agenda on the first Wednesday of the month. Additionally, staff recommends including the service retirement/survivor consent agenda at the first Wednesday meeting. Our information system is programmed with specific regard to the Board meeting date and the end of the month payroll cycle. While we do have the capability to modify the information system's payroll programs, staff would prefer to minimize these types of system changes during the DB2 transition and in anticipation of implementing the County's Fringe Benefit Memorandum of Understanding.



The Administrative Agenda

To address the administrative agenda, your Board may consider one the of the following options.

- The third Wednesday of the month. (The Board of Investments currently meets on the second and fourth Wednesday of each month.)
- The Thursday following the “disability” board meeting. In other words, the next day.
- The Tuesday following the “disability” board meeting. This meeting day is currently reserved for the Board of Retirement’s Insurance, Legislative and Benefit Committee and the Operations Oversight Committee meetings.

Committee Meetings

The Board may also wish to consider rescheduling your Committee meeting dates. As the Board’s administrative agenda is generally brief, your Board could schedule one or more committee meetings on the same day following the administrative board meeting. For example, the Insurance Benefit and Legislative Committee meeting could be scheduled to begin immediately following the administrative board meeting with the Operations Oversight Committee meeting to convene after lunch. It is plausible that all three meetings could occasionally be completed prior to lunch. And depending on the Board’s appetite, the Disability Procedures and Services Committee meeting could also be conducted on the same day.

Testing a Plan

Staff recommends that your Board try out a new meeting schedule to ensure it is meeting your needs. And as the May meeting has already been rescheduled due to calendar conflicts, staff recommends that a new schedule not be tried earlier than June 2002.

Harmony with the By-Laws

Your Board’s by-laws provide that the Board may call “special meetings”. As such, adding an additional meeting is within your expressed powers and could be done quite easily. Staff recommends that if your Board does find a new meeting schedule that suits your needs, the by-laws be changes after a trial period.

IT IS THEREFORE RECOMMENDED that your Board provide direction on scheduling future Board meetings.

ATTACHMENT C

April 3, 2002 Board Minutes

LACERA

HOME
DISCLAIMER
LINKS

MY LACERA
FAQ
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Los Angeles County Employees Retirement Association

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Benefits
Healthcare
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Communications
Opportunities

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Les Robbins, Chairman
 Edgar H. Twine, Vice Chairman
 Simon S. Russin, Secretary
 Bruce Perelman
 Sadonya Antebi
 John Fleming
 William Pryor
 Mark J. Saladino
 Richard R. Wirth
 Warren Bennett

STAFF ADVISORS AND PARTICIPANTS

Marsha D. Richter, Chief Executive Officer
 Gregg Rademacher, Assistant Executive Officer
 Robert Hill, Assistant Executive Officer
 David L. Muir, Chief Counsel
 Daniel E. McCoy, Chief Counsel, Disability Litigation
 Margaret L. Oldendorf, Senior Staff Counsel
 Sylvia R. Miller, Manager, Disability Retirement Services

I. APPROVAL OF THE MINUTES OF THE REGULAR MEETING OF MARCH 6, 2002**II. CONSENT AGENDA**

- A. Applications for Service Retirement
 B. Applications for Survivor Benefits
 C. Appeals (Memo dated March 26, 2002.)

CASE NO.	APPEALS	ATTORNEY	DECISION
14B	Kim V. Aboudara	Thomas J. Wicke	Deny SCD - Not Disabled Without Prejudice
2494A	Betty Jo Webb	Mark E. Singer	Deny SCD - Not Disabled
5493A	Earline L. Freeman	In Pro Per	Deny SCD - Grant NSCD
5501A	Willie J. Pickett	In Pro Per	Deny SCD - Not Disabled Without Prejudice
5502A	Cynthia T. Mosley	In Pro Per	Deny SCD - Not Disabled
5503A	Claire Pellicano	In Pro Per	Deny SCD - Not Disabled
5505A	Thomas F. Stephens	In Pro Per	Deny SCD - Not Disabled
5507A	Sandra L. Spence	Thomas J. Wicke	Deny SCD - Grant NSCD
5508A	Tracey L. Lockhart	Kenneth L. Risen	Deny SCD - Not Disabled Without Prejudice
5509A	Louise A. Oseguera	Kenneth L. Risen	Deny SCD - Not Disabled
5510A	Josephine Phillips	Kenneth L. Risen	Deny SCD - Not Disabled
5511A	Andrew Tomenchuk	Kenneth L. Risen	Deny SCD - Not Disabled Without Prejudice
5512A	Agata K Wojkowska	Tanya Garza-Sutton	Deny SCD - Not Disabled
5513A	Dora Velarde	Kenneth L. Risen	Deny SCD - Not Disabled
5517A	Diana M. Abaraca	In Pro Per	Deny SCD - Not Disabled

D. Recommendation regarding PAYMENT OF INVOICES. (Memo from Sylvia R. Miller dated March 26, 2002.)

E. Recommendation as submitted by Sylvia R. Miller, Manager, Disability Retirement Services: Dismiss with prejudice the appeal for service-connected disability retirement in the case of Catherine L. Lueder. (Memo dated March 22, 2002.)

F. Recommendation as submitted by David L. Muir, Chief Counsel: Approve payment in the amount of \$231.00 to Morrison & Foerster for professional services rendered in connection with general fiduciary matters. (Memo dated March 20, 2002.)

III. OTHER COMMUNICATIONS

A. For Information

1. Staff Activities Report - February, 2002

A. March, 2002 All Stars

2. Chief Executive Officer's Report

A. Report on County's Benefit/Funding Proposal

1. Memo dated March 8, 2002, from David L. Muir, Chief Counsel, regarding: APPELLATE

SCHEDULE IN THE VENTURA LITIGATION

2. Memo dated March 27, 2002, from Margaret L. Oldendorf, Senior Staff Counsel, regarding: Subrogation Verdict in Richard Momet, et al. v. Reba Osterman, et al., (L.A. County Superior Court Case No. EC 030823)

3. Memo dated March 27, 2002, from Margaret L. Oldendorf, Senior Staff Counsel, regarding: Joe F. Funches v. Board of Retirement (L.A. County Superior Court Case No. BS 066971)

4. Memo dated March 26, 2002, from Sylvia R. Miller, Manager, Disability Retirement Services regarding: KPMG Audit Report.

Green Folder Information (Information distributed in each Board Members Green Folder at the beginning of the meeting.)

1. Retirement Board Listing dated March 6, 2002.

2. Memo dated April 1, 2002, from David L. Muir, Chief Counsel, regarding: Brown Act Procedures for Board of Supervisors.

3. Memo dated March 20, 2002, from David L. Muir, Chief Counsel, regarding: LACERA v. Towers Perrin.

4. Memo dated March 28, 2002, from David L. Muir, Chief Counsel, regarding: Board of Supervisors' Resolutions Governing the LACERA Elections.

5. Article taken from Los Angeles Daily Journal, dated March 14, 2002, regarding: Board's Secret Vote Prompts Look at Rules.

6. Article taken from Los Angeles Daily Journal, dated March 20, 2002, regarding: Shut Out.

7. Copy of letter to Honorable Bill Lockyer, Attorney General of California, Opinion Unit, from Fern M. Billings, LACERA Senior Staff Counsel, regarding: Appointment of an Alternate Retired Member to the Board of Retirement. (Letter dated April 1, 2002.)

IV. NON-CONSENT AGENDA

A. Recommendation as submitted by Warren Bennett, Chairman, Disability Procedures & Services Committee: Adopt the proposed policy for members living out of state and applying for disability retirement. (Memo dated March 20, 2002.)

A motion was made by Mr. Pryor, seconded by Mr. Saladino, to approve the above recommendation. Mr. Russin and Miss Antebi expressed their concerns that applicant's must pay their own expenses. After a brief discussion among the Board, it was noted that staff will report back to the Board on any particular cases where disability examinations for out-of-state applicants poses a hardship. This will allow the Board to consider accommodating an applicant in cases of hardship.

The motion passed with Mr. Russin voting no.

B. Recommendation as submitted by Marsha D. Richter, Chief Executive Officer: Approve attendance of Board Members and one staff, as designated by the Chief Executive Officer, to attend the Contingency Planning & Management Conference, to be held April 15-17, 2002, in New Orleans, Louisiana; and approve reimbursement of travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated March 20, 2002.)

A motion was made by Mr. Perelman, seconded by Mr. Saladino, to approve the recommendation. The motion passed unanimously.

C. Recommendation as submitted by Marsha D. Richter, Chief Executive Officer: Approve attendance of staff, as designated by the Chief Executive Officer, to attend Caremark's Fourth Annual Customer Forum in Chicago, IL, to be held May 21-23, 2002; and approve reimbursement of travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated March 25, 2002.)

A motion was made by Mr. Perelman, seconded by Mr. Saladino, to approve the recommendation. The motion passed unanimously.

D. Recommendation as submitted by Marsha D. Richter, Chief Executive Officer: Approve attendance of Board Members and staff, as designated by the Chief Executive Officer, to attend the International Foundation of Employee Benefit Plans' Washington Legislative Update Conference to be held May 20-22, 2002; and approve reimbursement of travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated March 25, 2002.)

A motion was made by Mr. Perelman, seconded by Miss Antebi, to approve the recommendation. The motion passed unanimously.

E. Recommendation as submitted by Marsha D. Richter, Chief Executive Officer: Approve attendance of staff, as designated by the Chief Executive Officer, to attend the Association of Public Pension Fund Auditors Semi-Annual Professional Development Conference in Williamsburg, Virginia, to be held May 5-8, 2002; and approve reimbursement of travel costs incurred in accordance with

LACERA's Education and Travel Policy. (Memo dated March 27, 2002.)

A motion was made by Mr. Perelman, seconded by Miss Antebi, to approve the recommendation. The motion passed unanimously.

F. Recommendation as submitted by Marsha D. Richter, Chief Executive Officer: That the Board of Retirement provide direction to SACRS voting delegate concerning election of 2002/03 officers. (Memo dated March 26, 2002.)

A motion was made by Mr. Twine, seconded by Mr. Russin, that the following is LACERA's recommendation for SACRS 2002/03 Officers:

President: Ray McCray

Vice President: James Lee

Secretary: Bob Williams

Treasurer: Pat Wiegert

The motion passed unanimously.

G. Recommendation as submitted by Marsha D. Richter, Chief Executive Officer regarding Board Meeting Schedule. (Memo dated March 25, 2002.)

After a lengthy discussion the Board decided on splitting the regular Board of Retirement Meeting scheduled into two separate meetings. The first meeting will be reserved for disability retirement cases. Administrative agenda items will be handled at a second meeting later in the month. Meetings of the Insurance, Benefits, and Legislative Committee and Operations Oversight Committee will be held immediately following the administrative meeting of the Board of Retirement. Meetings of the Disability Procedures and Services Committee will be held immediately following the Board of Retirement meeting on the first Wednesday of every other month.

A motion was made by Mr. Saladino, seconded by Miss Antebi, to approve two (2) meetings each month on the 1st and 3rd Wednesday.

A substitute motion was made by Mr. Twine, seconded by Mr. Wirth, to split the Board of Retirement meeting into two meetings a month, beginning in June, 2002, as noted below:

The first Wednesday of each month is when the disability cases would be handled. The Disability Procedures & Services Committee will be held following the Board of Retirement meeting.

The Thursday, following the second Wednesday of each month is when the administrative agenda items would be handled. Both the Insurance, Benefits, and Legislative Committee meeting and Operations Oversight Committee meeting will be handled following the end of the Board of Retirement meeting. It is noted that this schedule will be handled on a trial basis and will be tested before incorporating it into the ByLaws.

The question of substitution only passed with Mr. Perelman voting no.

The action motion, as noted above, passed with Mr. Perelman voting no.

H. Recommendation as submitted by Gregg Rademacher, Assistant Executive Officer: That the Board of Retirement direct the LACERA actuary to perform Fire Department Retirement Trend Study at the Fire Department's expense. (Memo dated March 26, 2002.)

A motion was made by Mr. Pryor, seconded by Mr. Saladino, to approve the recommendation. The motion passed unanimously. Mr. Pryor, made an amendment to the motion and have LACERA pay for the study. The amendment died for lack of a second. The action motion to direct the LACERA actuary to perform Fire Department Retirement Trend Study at the Fire Department's expense.

I. Recommendation as submitted by David L. Muir, Chief Counsel:

Adopt a policy regarding the assignment of referees in difficult cases. (Memo dated March 26, 2002.)

Referee Irene Ayala discussed a case involving an applicant who has been know to sue everyone who takes a position against her.

After a lengthy discussion among the Board and staff the following motion was made:

A motion was made by Mr. Twine, seconded by Mr. Pryor, to cover LACERA's referees pursuant to the provisions of the Tort Claims Act recognizing that though they are not employees, LACERA is just using that body of law to provide LACERA with some type of precedent and dealing with the issues as they come up. The motion passed with Mr. Russin voting no.

V. PUBLIC COMMENT

VI. GOOD OF THE ORDER

(For discussion purposes only.)

VII. DISABILITY RETIREMENT CASES TO BE HELD IN CLOSED SESSION

VIII. EXECUTIVE SESSION

The Board met in executive session to discuss the following matters with Legal Counsel.

A. CONFERENCE WITH LEGAL COUNSEL- EXISTING LITIGATION (Subdivision (a) of Section 54956.9)

1. Los Angeles County Professional Peace Officers' Association, et al. v. LACERA L.A. County Superior Court Case No. BS051355 (Payment of invoice and status report.)

2. Appeal of Jeffrey Hauptman (Payment of invoice.)

3. Disability Retirement Appeal of Blanch Wilson-Payne. Pulled off the agenda at the request of staff.

4. Claim of Michael Schubach - Request To Redeposit Funds. Pulled off the agenda at the request of staff.

B. CONFERENCE WITH LEGAL COUNSEL- ANTICIPATED LITIGATION (Significant exposure to litigation pursuant to subdivision (b) of Government Code Section 54956.9.)

1. Claim of Millie Bunkley - Reimbursement of Premiums. The Board reconvened in open session, at which time Mr. Muir made the following statement for the record. For the record, the Board met in closed session to discuss with legal Counsel some items of existing litigation and one item of anticipated litigation. In the matter of Los Angeles County Professional Peace Officers' Association, et al. v. LACERA (Ventura case) the Board unanimously approved payment of invoice for outside legal services on a motion by Mr. Fleming, seconded by Mr. Saladino. In the case of Jeffrey Hauptman the Board unanimously approved payment of invoice for outside legal services on a motion by Mr. Saladino, seconded by Mr. Twine. In the claim of Millie Bunkley the Board unanimously denied her claim on a motion by Mr. Saladino, seconded by Miss Antebi.

IX. ADJOURNMENT

[Click here to return to the LACERA Boards page](#)

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FOR INFORMATION ONLY

August 1, 2016

TO: Each Member
Board of Retirement

Each Member
Board of Investments

FROM: Steven P. Rice *SPR*
Chief Counsel


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

SUBJECT: **STATUS REPORT ON PRIVACY AUDIT**

In January 2016, the Boards engaged the law firm of Alston & Bird LLP to perform an audit of LACERA's policies, procedures, and practices regarding private, confidential, and business critical information. Alston & Bird's factual investigation and analysis of LACERA was completed during the February to May 2016 time period. During June and July 2016, Alston & Bird and LACERA engaged in two rounds of a process whereby Alston provided a draft report, followed by LACERA comments. This process culminated in Alston & Bird's delivery of a "final draft" report on July 27, 2016. The final draft report was circulated to all LACERA divisions to provide management's response to Alston & Bird's findings and recommendations. Management's response is expected to be completed and Alston & Bird's report finalized in August 2016, with the final report and management's response presented to both Boards shortly thereafter, likely in September 2016.

Alston & Bird agreed to communicate with Stroz Friedberg LLC, the data mapping subcontractor, concerning the cost overrun discussed at the June 2016 Board meetings. Staff will update the Boards on that issue when the final report is presented.

Review and Approved



Gregg Rademacher
Chief Executive Officer


Each Member, Board of Retirement
Each Member, Board of Investments
August 1, 2016
Re: Status Report on Privacy Audit
Page 2

c: Gregg Rademacher
Robert Hill
John Popowich
James Pu
Richard Bendall
Leisha Collins
Quoc Nguyen
George Lunde
Darla Vidger

**FOR INFORMATION ONLY**

August 1, 2016

TO: Each Member
Board of Retirement

FROM: Fern M. Billingsy 
Senior Staff Counsel

FOR: Meeting of August 11, 2016

RE: **Reciprocal Member Issues**

As you know, the benefits of reciprocity include the use of original entry age, and highest final compensation when calculating a retirement allowance. In determining Final Average Compensation (FAC), LACERA staff include applicable pay components approved by your Board. When reciprocal members elect to retire, LACERA provides the entire compensation amount to the reciprocal agency for use in calculating the member's retirement allowance.


LACERA was recently notified of a change in CalPERS procedures regarding reciprocal members with monthly salaries in excess of \$10,000. CalPERS now seeks the pay components included in member's FAC and has denied inclusion of some items. This results in member's inability to use the entire LACERA salary when calculating the retirement allowance from the reciprocal agency.

For example, let's discuss a reciprocal member who last worked for the County of Los Angeles as a Deputy Sheriff. Deputy's compensation includes these additional pay items: uniform allowance, canine care, and shooting bonus. However, if CalPERS does not include canine care or shooting bonus, those items will be removed from the FAC before calculation of the CalPERS retirement allowance. Therefore Deputy's FAC with LACERA will include all pay components, but the FAC with CalPERS will be lower as it will not include all pay components.

Each Member
Board of Retirement
August 1, 2016
Page Two

This issue raises concerns for our reciprocal members. Executive and Legal staff are evaluating this issue, and the near future will present a recommendation to your Board.

Reviewed and Approved

A handwritten signature in black ink, appearing to read "Steven P. Rice", written over a horizontal line.

Steven P. Rice
Chief Counsel

FMB/et
Billingy/BOR/Reciprocal Member Issues Memo.docx



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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