

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, SEPTEMBER 15, 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 August 11, 2016
- IV. REPORT ON CLOSED SESSION ITEMS
- V. OTHER COMMUNICATIONS
 - A. For Information
 - 1. July 2016 All Stars
 - 2. Chief Executive Officer's Report
(Memo dated September 6, 2016)
- VI. PUBLIC COMMENT
- VII. NON-CONSENT AGENDA
 - A. Recommendation as submitted by Joseph Kelly, Chair, Operations Oversight Committee: That the Board approve the purchase of Fiduciary Liability Insurance for the October 6, 2016 renewal with Hudson Insurance Company. (Memo dated August 31, 2016)

VII. NON-CONSENT AGENDA (Continued)

- B. Recommendation as submitted by Les Robbins, Chair, Insurance, Benefits, and Legislative Committee: That the Board 1) Interview the two finalist firms, Mercer and Milliman, and select one firm to perform the audit of the 2014-2015 RDS subsidy submissions, with an option for LACERA to direct the firm also to audit the 2015-2016 and 2016-2017 RDS subsidy submission; and 2) Direct staff to retain the selected firm for a one year period beginning October 1, 2016 and ending November 1, 2017, with a two year extension at the discretion of LACERA. (Memo dated August 30, 2016)

- C. Recommendation as submitted by Steven P. Rice, Chief Counsel: That the Board 1) Adopt the revised Conflict of Interest Code; and 2) Authorize staff to file the revised Code with the County of Los Angeles Board of Supervisors, which is the code reviewing authority. (Memo dated August 30, 2016)

- D. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board 1) Approve that the Chief Investment Officer salary range will be determined by the Board of Retirement and Board of Investments in accordance with amendments to County Code, Sections 6.127.030.F., 6.28.050 (Item 0776), and 6.127.040.B.7; and 2) Direct staff to submit to the Board of Supervisors the amendments to County Code, Sections 6.127.030.F, 6.28.050 (Item 0776), and 6.127.040.B.7. (Memo dated September 1, 2016)

- E. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board adopt the Policy on Joint Meetings. (Memo dated August 31, 2016)

- F. For Information Only as submitted by Steven P. Rice, Chief Counsel, regarding the status report on Privacy Audit. (Memo dated September 2, 2016)

- G. For Information Only as submitted by Barry W. Lew, Legislative Affairs Officer, regarding Assembly Bill 2376 – County Employees' Retirement. (Memo dated August 29, 2016)

VII. NON-CONSENT AGENDA (Continued)

- H. For Information Only as submitted by Barry W. Lew, Legislative Affairs Officer, regarding Assembly Bill 1853 – County Employees Retirement Districts. (Memo dated September 2, 2016)
- I. For Information Only as submitted by Beulah S. Auten, Chief Financial Officer, regarding the 2017 STAR COLA Program. (Memo dated August 30, 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 Nell Masto

- B. Conference with Labor Negotiators
(Government Code Section 54957.6)

- 1. Agency designated representatives:
Robert Hill, Assistant Executive Officer
John Nogales, Director, Human Resources
Draza Mrvichin, LACERA's Contracted Negotiator
Employee Organization: SEIU Local 721

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, AUGUST 11, 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

STAFF ADVISORS AND PARTICIPANTS

Robert Hill, Assistant Executive Officer

John Popowich, Assistant Executive Officer

Steven P. Rice, Chief Counsel

Johanna M. Fontenot, Senior Staff Counsel

STAFF ADVISORS AND PARTICIPANTS (Continued)

Fern M. Billingsy, Senior Staff Counsel

Jill P. Rawal, Staff Counsel

Barry W. Lew, Legislative Affairs Officer

Leisha Collins, Senior Internal Auditor

James Beasley, Administrative Services Analyst III

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 July 14, 2016

Mr. Chery made a motion, Mr. de la Garza seconded, to approve the minutes of the regular meeting of July 14, 2016 with the inclusion of Mr. Kelly's reason for recusing himself from Item VII.E. The motion passed unanimously.

IV. REPORT ON CLOSED SESSION ITEMS

No items were reported.

V. OTHER COMMUNICATIONS

A. For Information

1. June 2016 All Stars

Mr. Hill announced the eight winners for the month of June: James Pu, Indee Brooke, Daniel Marroquin, Tina Young, Carlos Barrios, Terri Moore, John Harrington, and Julia Ray for the Employee Recognition Program and Kathleen Medina for the Webwatcher Program. Dmitriy Khaytovich, Letha Williams-Martin, Tionna Fredericks and Henry Gonzalves were the winners of LACERA's RideShare Program.

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

There was nothing to report during the Chief Executive Officer's Report.

VI. PUBLIC COMMENT

There were no requests from the public to speak.

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)

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

Mr. Kelly made a motion, Mr. Muir seconded, to return to staff with the proposed Legislative Policy with the two amendments made by the Board concerning clarification of the provision relating to ballot measures and addition of a flow chart of the legislative process. The motion passed unanimously.

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)

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

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

- 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)

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

- 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)

Mr. Beasley was present and provided an overview of the Policy.

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

VII. NON-CONSENT AGENDA (Continued)

- 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)

Mr. Chery made a motion, Mr. Muir seconded, to approve moving the Operations Oversight Committee meeting to the day of the Board of Retirement Disability meeting, as the second committee meeting following completion of the full Board meeting. The motion passed with Messrs. de la Garza, Okum, and Robbins voting no.

- 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

There was nothing to report on staff action items.

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

There was nothing to report during Good of the Order.

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

The Board met in Executive Session pursuant to Government Code Section

X. EXECUTIVE SESSION (Continued)

54956.9 in regards to the anticipated litigation of the above mentioned case. The Board approved to deny the appeal with an 8 to 1 vote with Mr. Chery voting no.

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

The Board met in Executive Session pursuant to Government Code Section 54956.9 in regards to the pending litigation of the above mentioned cases and there is nothing to report at this time.

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 August 10, 2016)
2. LACERA Legislative Report – Other (Dated August 10, 2016)
3. LACERA Legislative Report – Federal (Dated August 10, 2016)
4. Semi-Annual Interest Crediting for Reserves as of June 30, 2016 (Unaudited) (Memo dated July 27, 2016) (For Information Only)
5. Fiduciary Duties in Board and Staff Relations (Memo dated August 1, 2016) (For Information Only)

August 11, 2016

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XI. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned in memory of Deputy Probation Officer, Marian Henderson, at 11:35 a.m.

WILLIAM DE LA GARZA, SECRETARY

SHAWN R. KEHOE, CHAIR



September 6, 2016

TO: Each Member
Board of Retirement
Board of Investments

FROM: Gregg Rademacher 
Chief Executive Officer

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

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

Safety is Job #1

LACERA is committed to providing a safe work environment. We are constantly evaluating potential hazards that may impact the safety of our Board, staff, members, and vendors. We work to find mitigating solutions to ensure we maintain a safe and comfortable environment. For example, we ask staff to immediately report anyone on a LACERA floor without a badge and provide an alarm button in select areas of our offices, such as the Board room and the Member Service Center, staff can use to notify the local police they are urgently needed. LACERA's floor wardens meet regularly throughout the year to review their responsibilities in the event of an emergency and to ensure the annual fire drill is effective and efficient.

Last year the workers at the Inland Regional Center in San Bernardino County suffered a tragic loss during a mass shooting incident that killed 14 San Bernardino county employees. After our hearts and prayers went out to those impacted by this tragedy, our minds turned to thinking and planning for the safety of our own. As unlikely as it may seem, we began to imagine a similar event happening at our office and what steps we could take to mitigate such an event.

We concluded a good action would be to ensure our Board and staff had training to survive a shooting event. Essentially, what to look out for and what to do. Staff turned to the Los Angeles County Sheriff's Department for assistance.

In September, all LACERA staff members will be required to attend the Los Angeles County Active Shooter Preparedness training program. The two hour class focuses on:

- Recognizing when there is a shooting incident
- Adopting a survival mindset and how to use it
- Calling for help and what to do when help arrives

The class includes reviewing the Los Angeles County Sheriff's "Emergency Preparedness & Building Safety" pamphlet, watching an "Active Shooter" video, and discussing how to act and react to a hostage situation, violent/threatening behavior, a bomb threat, and a suspicious package.

We hope to never experience such events, but we can at least provide some peace of mind that we are taking steps to prepare ourselves.

New Core Benefits Training Class

We are excited to announce we started our 8th Core Benefits Training program in late August. The Core Benefits Training program is a rigorous year long training regime including a mix of classroom instruction, testing, detailed case analysis, case discussion, and real-time production experience. Throughout training, 100% of the employee's work is checked for quality with feedback being provided in a very collegial learning environment. The new class consists of eleven new hires and one veteran employee.

This marks a major milestone in our training program as it is the first time we have had two Core Benefits Training classes going at the same time. Our 7th Core Benefits Training class will be wrapping up their training in the next few months. Once they graduate they will disperse to fill vacancies in divisions throughout LACERA.

Survivor Income Benefits Mailing

LACERA will be mailing our annual Survivor Income Benefits reminder to all eligible Plan E participants the week of September 12, 2016.

Plan E members who are MegaFlex participants have the option of electing the County-administered Survivor Income Benefit (SIB), an optional life insurance plan available only to Plan E MegaFlex participants.

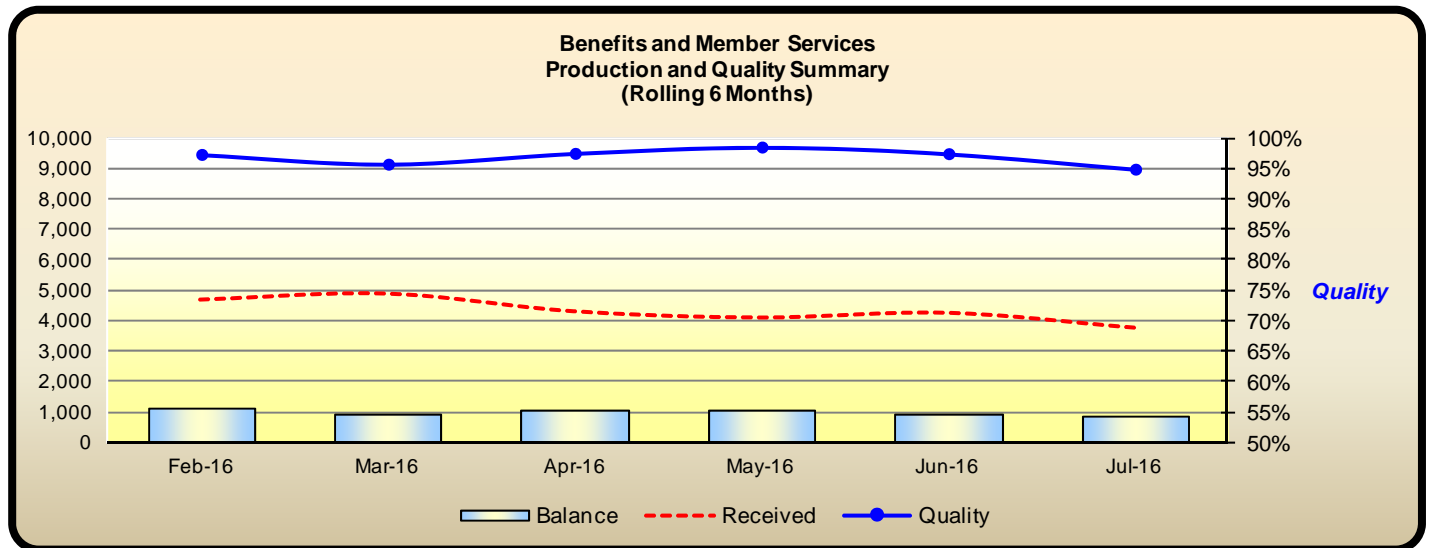
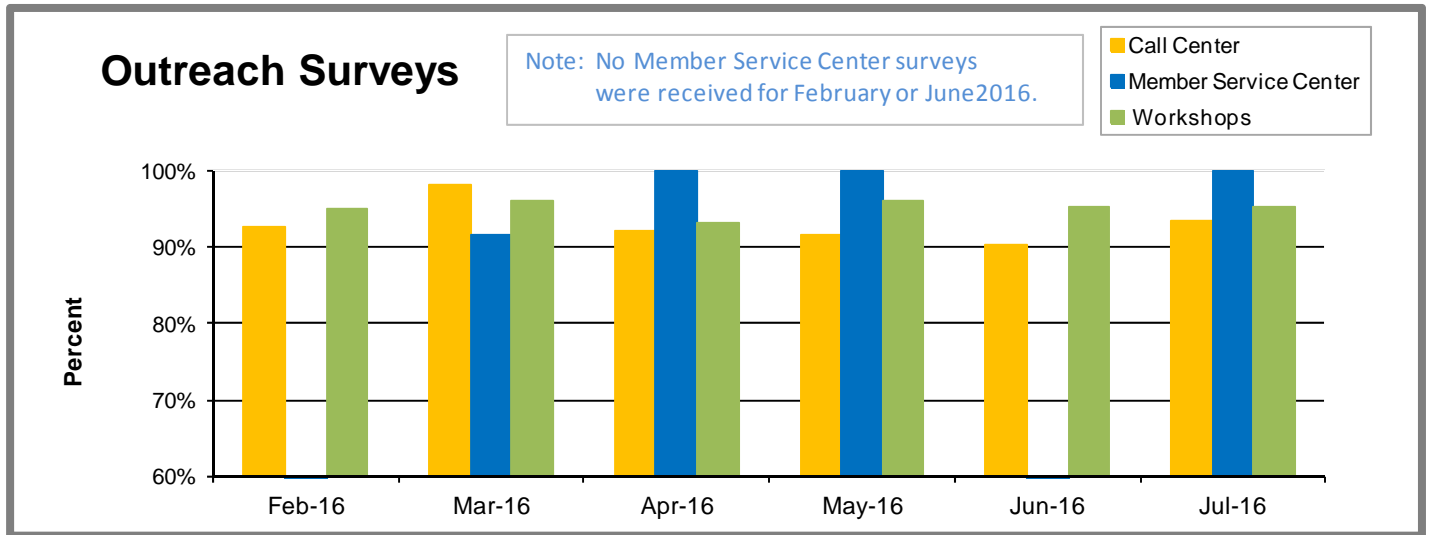
This is important as Plan E does not include pre-retirement death benefits through LACERA and MegaFlex participants are not eligible for continuing survivor benefits administered through the County. Members interested in enrolling in the County's Survivor Income Benefit may do so only during the annual enrollment period, October 1 through October 31. For additional information, members are to refer to the County's *MegaFlex 2017 Enrollment Highlights Guide*, mailed by the County to its employees, and to the County's online benefit web portal - mylacountybenefits.com.

Although LACERA does not administer the Survivor Income Benefit, we partner with the County in mailing the annual reminder to Plan E members before the enrollment period begins. A copy of the letter has been placed in your green folder.

LACERA's KEY BUSINESS METRICS

OUTREACH EVENTS AND ATTENDANCE

Type	# of WORKSHOPS		# of MEMBERS	
	Monthly	YTD	Monthly	YTD
Benefit Information	17	17	568	568
Mid Career	5	5	134	134
New Member	16	16	358	358
Pre-Retirement	7	7	179	179
General Information	0	0	0	0
Retiree Events	2	2	140	140
Member Service Center	Daily	Daily	1,322	1,322
TOTALS	47	47	2,701	2,701



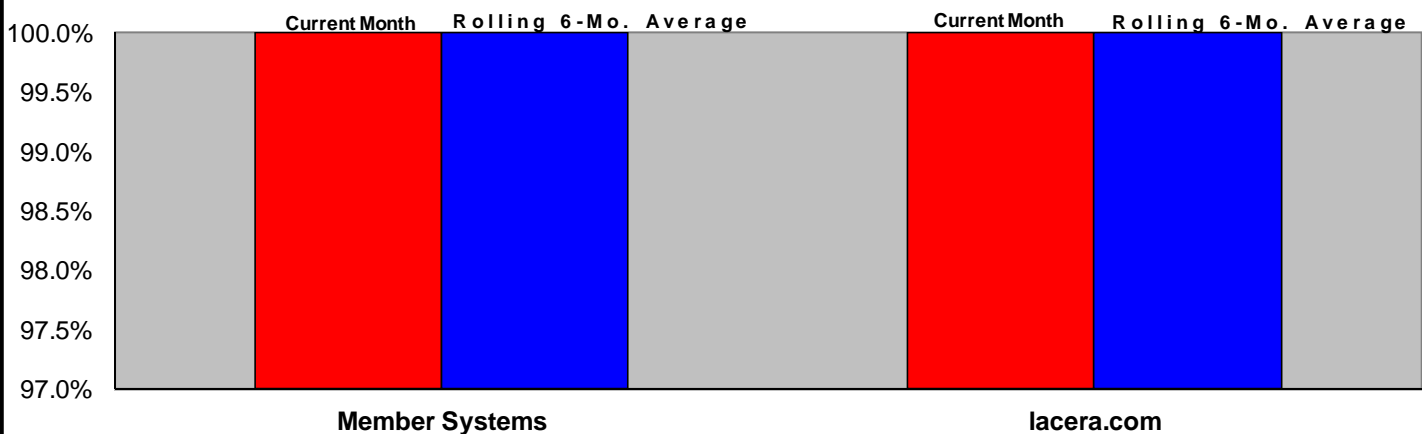
Member Services Contact Center			RHC Call Center	Top Calls
Overall Key Performance Indicator (KPI)	97.09%			
Category	Goal	Rating		
Call Center Monitoring Score	95%	94.72	97%	<u>Member Services</u>
Grade of Service (80% in 60 seconds)	80%	70%	38%	1) Workshop Info/Appointments Inquiry
Call Center Survey Score	90%	93.52%	xxxxx	2) Benefit Payments: Gen. Inquiry/Payday
Agent Utilization Rate	65%	65%	85%	3) Retirement Counseling: Estimate
Number of Calls	8,748		3,302	<u>Retiree Health Care</u>
Calls Answered	8,281		2,932	1) Medical Benefits – General Inquiries
Calls Abandoned	467		376	2) Medical-New Enroll/Change/Cancel
Calls-Average Speed of Answer	00:01:12		03:13	3) Turning Age 65/Part B Premium
Number of Emails	257		184	Reimbursement
Emails-Average Response Time	05:16:31		1 day	Adjusted for weekends

LACERA's KEY BUSINESS METRICS

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

DISABILITY INVESTIGATIONS						
APPLICATIONS	TOTAL	YTD		APPEALS	TOTAL	YTD
On Hand	486	xxxxxxx		On Hand	139	xxxxxxx
Received	42	42		Received	2	2
Re-opened	0	0		Administratively Closed/Rule 32	2	2
To Board – Initial	24	24		Referee Recommendation	0	0
Closed	6	6		Revised/Reconsidered for Granting	1	1
In Process	498	498		In Process	139	139

SYSTEMS AVAILABILITY - JULY 2016



Active Members as of 9/1/16		Retired Members/Survivors as of 9/1/16			Retired Members	
		Retirees	Survivors	Total		
General-Plan A	236	19,218	4,716	23,934	Monthly Payroll	249.59 Million
General-Plan B	92	684	63	747	Payroll YTD	249.59 Million
General-Plan C	86	425	57	482	Monthly Added	231
General-Plan D	46,675	11,865	1,119	12,984	Seamless %	100.00
General-Plan E	20,733	11,092	928	12,020	YTD Added	231
General-Plan G	15,453	4	0	4	Seamless YTD %	100.00
Total General	83,275	43,288	6,883	50,171	Direct Deposit	95.00%
Safety-Plan A	11	5,813	1,581	7,394		
Safety-Plan B	11,278	4,330	227	4,557		
Safety-Plan C	1,360	1	0	1		
Total Safety	12,649	10,144	1,808	11,952		
TOTAL ACTIVE	95,924	TOTAL RETIRED	53,432	8,691	62,123	

Health Care Program (YTD Totals)		
	Employer Amount	Member Amount
Medical	37,723,462	3,264,113
Dental	3,371,814	356,546
Med Part B	4,341,419	xxxxxxxxxx
Total Amount	\$45,436,695	\$3,620,659

Health Care Program Enrollments	
Medical	47,662
Dental	48,675
Med Part B	31,128
Long Term Care (LTC)	750

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
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
8	Municipal Market Disclosure: The Development and Administration of Debt Disclosure Policies Irvine, CA
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.
25	Milken Institute California Summit Los Angeles, CA
26-28	Pacific Pension Institute (PPI) Asia Roundtable Kowloon, Hong Kong



August 31, 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: September 15, 2016 Board of Retirement Meeting

SUBJECT: Fiduciary Liability Insurance Renewal

RECOMMENDATION

That the Board of Retirement approve the purchase of Fiduciary Liability Insurance for the October 6, 2016 renewal with the following insurance carrier:

Fiduciary Insurance - **LACERA Trust Fund**

- Hudson Insurance Company; Limit: \$25 million \$199,500 Premium

EXECUTIVE SUMMARY

For over a decade, LACERA has been purchasing Fiduciary Liability Insurance for the organization to protect the Trust Funds against potential losses resulting from any breach of fiduciary duty claims. Board members and certain LACERA employees can also be held personally liable for these claims. The following Trust Funds require separate fiduciary insurance coverage to provide the necessary protection for the organization.

	LACERA Trust Fund	County OPEB Trust Fund	Superior Court OPEB Trust Fund	Master OPEB Trust Fund*
Fiduciary Limit	\$25 million	\$5 million	\$5 million	\$5 million
Premium	\$199,500	\$15,000	\$14,401	\$12,330.00
Coverage Period	10/6/15-10/5/16	10/6/15-10/5/16	7/13/16-10/5/16	7/13/16-10/5/16

* The memo sent to the Operations Oversight Committee (OOC) on 8/11/16 reflected the Master OPEB Trust Fund policy was in the process of being purchased. Since the OOC meeting, the Master OPEB Trust Fund policy was purchased on 8/12/16 through Hudson with a policy effective date of July 13, 2016.

Fiduciary Liability Insurance Renewal
Board of Retirement
Page 2 of 4

The fiduciary insurance policy for LACERA's Trust Fund is set to expire on October 5, 2016. LACERA contracts with an insurance broker to research appropriate insurance plans, conduct the competitive bidding process, and provide recommendations on packages for LACERA to consider. LACERA directed our current broker, Kaercher Campbell & Associates Insurance (KCAIB) to solicit alternate quotes to obtain the most comprehensive coverage for the most competitive price.

Based on the Procurement Policy, the fiduciary insurance premium for the LACERA Trust Fund exceeds the CEO's signature authority of \$75,000 and requires Board approval prior to purchasing the policy. The remaining OPEB Trust Fund premiums do not exceed the CEO's signature authority; therefore they do not require Board approval.

RENEWAL CRITERIA/SELECTION

The LACERA Trust Fund requires a total of \$25M coverage to protect any person acting in a fiduciary capacity in an event of a breach of fiduciary duty. LACERA requested KCAIB to seek quotes utilizing standard industry criteria which enabled them to successfully negotiate competitive options for renewal. Fiduciary Liability limits, retentions, and premiums are primarily based on the following factors, as of June 30, 2015:

- Amount of net plan assets - \$48.8 Billion
- Number of participants – 167,409
- Funding status – 83.3%

In the past, the highest limit that any of the fiduciary insurance carriers were willing to underwrite for the coverage was \$15M; therefore, LACERA needed an additional \$10M excess from another carrier to reach the desired coverage of \$25M. For this renewal, Hudson has agreed to underwrite the policy for the total coverage of \$25M, thereby saving LACERA 11% over the expiring premium.

Hudson decreased the premiums due to the increase in the plan funding status. Based on the 2015 Milliman actuarial valuation report, the funding status has improved from 79.5% to 83.3%. Hudson's underwriters view this as a positive direction in LACERA's overall funding status, which lowers the risk overall to the insurance company. In addition to the premium rate reduction for the LACERA Trust

Fiduciary Liability Insurance Renewal
Board of Retirement
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Fund, Hudson is providing lower premiums in consideration for the multiple policies that are in place for the OPEB Trust Funds.

KCAIB's marketing strategy focused on obtaining the most comprehensive coverage for the most competitive price. To achieve the desired results, KCAIB sought quotes from various insurance carriers for consideration.

Below are three options that offer quotes of \$25M coverage in a combined or single limit:

<u>Carrier</u>	<u>Coverage</u>	<u>Premium</u>
• Chubb/Hartford	Combined Limit	\$196,411/\$70,000
• Hudson/Hartford	Combined Limit	\$152,250/\$70,000
• Hudson	Single Limit	\$199,500

Based on coverage requirements for LACERA's fiduciary insurance program, Administrative Services conducted a comparative analysis of each proposed carrier policy against the expiring policies using the following criteria:

- Cost (most comprehensive coverage for the most competitive price)
- Thorough review of each policy (side-by-side comparison)
- Best protects the Board Members and LACERA employees

When comparing the policy forms, the Hudson Insurance Company's policy was more comprehensive than the other quoted carriers identified above. Below are additional advantages offered by Hudson Insurance Company that the other insurance carriers lack in policy form:

- Choice of legal counsel versus being required to use carrier panel counsel
- Offers \$100K of Cyber Restoration and Notification Coverage
- Cancellation - Non rescindable nor cancellable by Insurer during the policy year (except nonpayment of premium)
- Coverage for Benefits Miscalculation (overpayment)

Fiduciary Liability Insurance Renewal
Board of Retirement
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The recommendation for the LACERA Trust Fund is to purchase the Hudson Insurance Company policy with the policy limits of \$25 million. The annualized premium for the policy is \$199,500.00, an 11% decrease in premium over the current expiring rates.

ADDITIONAL PROTECTION

Waiver of Recourse

A waiver of recourse is an endorsement to a fiduciary liability insurance policy that prevents an insurance carrier from exercising its subrogation rights against an insured fiduciary (employee/Board Member). Unlike most other forms of insurance, under fiduciary liability policies, insurers have the right to exercise subrogation rights against insureds for non-willful or criminal acts.

Members of both Boards and specific staff may have some exposure to fiduciary liability since they make decisions impacting all the Trust Funds. Per government code, trust fund assets cannot be used to purchase a waiver of recourse endorsement. In the past, Board Members and staff paid \$25.00 per trust fund for the coverage; for this renewal period, Hudson Insurance Company has reduced the price to purchase the Waiver of Recourse coverage. The cost of the coverage is a \$100.00 flat fee for each Trust Fund. The fee per person is dependent on the number of enrollees and will be determined and communicated to Board Members and staff at a later date.

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD approve the purchase of Fiduciary Liability Insurance for the October 6, 2016 renewal with the following insurance carrier:

Fiduciary Insurance - **LACERA Trust Fund**

- Hudson Insurance Company; Limit: \$25 million \$199,500 Premium



DATE: August 30, 2016

TO: Each Member
Board of Retirement

FROM: Insurance, Benefits, and Legislative Committee
Les Robbins, Chair
William de la Garza, Vice Chair
Vivian H. Gray
Shawn R. Kehoe
Ronald Okum, Alternate

FOR: September 15, 2016 - Board of Retirement Meeting

SUBJECT: **SELECTION OF FIRM TO AUDIT LACERA MEDICARE PART D RETIREE
DRUG SUBSIDY SUBMISSIONS**

RECOMMENDATION

It is recommended that the Board of Retirement:

1. Interview the two finalist firms: (1) Mercer, and (2) Milliman, and select one firm to perform the audit of the 2014-2015 RDS subsidy submissions, with an option for LACERA to direct the firm also to audit the 2015-2016 and 2016-2017 RDS subsidy submissions; and
2. Direct staff to retain the selected firm for a one year period beginning October 1, 2016 and ending November 1, 2017, with a two year extension at the discretion of LACERA.

EXECUTIVE SUMMARY

The Federal government provides a cost subsidy for certain qualified Medicare Part D drug expenditures. LACERA works with its insurance carriers to file for these subsidies under the CMS Medicare Part D RDS Program. To ensure we are maximizing our subsidy opportunity, LACERA engages an audit firm to validate the submission information and assist with revised submission as necessary. These audits have proven valuable. The Board approved a policy to continue auditing the RDS subsidy program submissions until such time as the insurance carrier submissions are substantially correct and to initiate periodic audits every two years to ensure continued compliance.

This recommendation is for the continued audit of our Anthem Blue Cross RDS subsidy program submissions and for a periodic audit of the Kaiser and Cigna insurance carrier 2014-2015 Plan Year RDS subsidiary program submissions.

BACKGROUND

LACERA has actively participated and filed applications for the CMS Medicare Part D RDS Program ("RDS Program") since inception of the program in 2005. Under the RDS Program, for each allowable cost, approved plan sponsors may qualify for a 28% subsidy for each Medicare Part D claim submitted which meets CMS' eligibility, cost threshold, and cost limits.

LACERA began auditing the RDS subsidy program submission in 2013 using its Retiree Healthcare Program consultant, AON, for RDS Program year 2006-2007, and thereafter using an external audit firm, Milliman, hired through a request-for-proposal process. The audit process identified incomplete subsidy submissions by the insurance carriers. For the program years where the incomplete submission was significant, LACERA petitioned CMS to re-open the submission, and for the majority of petitions, CMS allowed the insurance carriers to amend the submission resulting in additional money to be collect by LACERA on behalf of the Retiree Healthcare Program.

On July 9, 2015, the Board of Retirement approved staff's recommendation to establish a policy of auditing LACERA's continued participation in the Medicare Part D RDS program. Specifically, the action was to amend the external auditors contract to continue auditing the Anthem Blue Cross RDS subsidy submissions until the submissions are determined to be complete per CMS guidelines, and to audit LACERA's participation in the Medicare Part D RDS program every two plan years.

SEARCH PROCESS

At the April 6, 2016 meeting of the Insurance, Benefits, and Legislative Committee, the Committee approved staff's recommendation to issue a Request for Proposal (RFP) from qualified audit firms. The RFP was issued on May 6, 2016.

The Statement of Work may be found in **Exhibit A**.

Staff sent direct notifications of the RFP issuance to six firms in addition to posting the RFP on LACERA's website. However, only the following three firms submitted proposals by the given deadline:

- Mercer
- Milliman
- TRICAST, LLC

EVALUATION PROCESS

The RFP evaluation process was conducted in a similar manner that was successfully used in the 2013 search for RDS Program audit services. The following reflect roles and responsibilities as defined in the RFP.

Task	Responsible Party
Evaluate Written Proposals	Staff
Forward Recommendation to Board	IBL Committee
Consider recommendation, interview finalists and make selection	Board

RFP written responses were reviewed by a Proposal Evaluation Committee comprised of five LACERA staff drawn from the Internal Audit, Legal, and Retiree Healthcare Divisions. During the first phase, the Committee determined if each firm met the following minimum qualifications and other requirements, as stated in the RFP, such as:

- A. Key Personnel shall each have a minimum of five years experience auditing RDS applications.
- B. Bidder must have performed RDS audits on at least two governmental clients having at least 5,000 participants within the last five years.
- C. The Bidder adheres to the instructions in the RFP, including submission of all required material on time.
- D. The Bidder has agreed to the RDS Audit Services Agreement or has provided comments and alternative language acceptable to LACERA.

During the second phase, the group individually evaluated and scored the proposals for technical qualifications including; firm and staff qualifications, vendor experience, litigation, insurance, conflicts of interest, implementation plans, fees, adherence to the instructions in the RFP, and if the bidder agreed to the RDS Audit Services Agreement or had provided comments and alternative language acceptable to LACERA.

Evaluation Section	Weight
Experience	30%
Staffing	30%
Implementation Plan	30%
Fees	10%

The three firms made presentations to the Evaluation Committee on July 19, 2016 and were scored on their presentation/communication skills, content of presentation, response to questions, knowledge of CMS/RDS Program, manner-ease of working with and compatibility.

FIRM SCORES

The score earned in each evaluation category below, is the average of the five Evaluation Committee members’ scores. Each evaluation category is rated from 1 to 3, 1 being the highest and 3 being the lowest. The lowest score reflects the strongest candidate.

Evaluation Categories	Mercer	Milliman	TRICAST, LLC
Experience	1.2	2	2.8
Staffing	1.2	2	2.6
Implementation Plan	1.4	1.8	2.8
Fees	1.8	2.2	2.0
TOTAL SCORES	5.6	8	10.2

On August 11, 2016, the Insurance, Benefits, and Legislative Committee approved staff’s recommendation for the Board of Retirement to invite the two finalist firms to interview at the September 15, 2016, Board of Retirement meeting: (1) Mercer, and (2) Milliman.

Both finalist firms and proposed teams of personnel are qualified to perform the RDS audit services needed. Biographies for each firm’s proposed team are included in each firms’ profile section. Categories where some firms’ responses were outside the norm include the proposed implementation plans and fees.

LACERA Carrier/Vendor Experience

Mercer and TRICAST, LLC do not have existing relationships with LACERA's health plan carriers/vendors. Mercer, however, indicated they do audit these carriers on behalf of other clients. Milliman also has existing relationships with carriers/vendors as the current auditor for the RDS audit services and for purposes of conducting the OPEB valuation for LACERA.

Implementation Plans

Two of the three firms specified their approach and presented a comprehensive implementation plans as described in the Statement of Work. TRICAST, LLC, however missed the mark in specifying their approach in their implementation plan. For example, their presentation was very general and lacked detailed explanation and description of their approach to the different phases of the RDS audit project as well as review of LACERA Retiree Healthcare's RDS processes and procedures. TRICAST appears to be data-oriented with stress on marketing of their proprietary analytical tools and other services.

Fee Comparisons

Each firm presented detailed fees for each of the three phases of work requested in the Statement of Work. Fees listed below are totals for all work proposed. Detailed, fee breakdown per Phase for each firm are provided in Exhibit C and in each firm's Profile Section.

	Mercer	Milliman	TRICAST, LLC
Total fees all phases	\$592,000	\$624,567	\$258,000

Mercer indicated they are flexible in their compensation arrangements and open to discussing options with LACERA. Milliman recommended cost savings and willingness to negotiate a price decrease through review and elimination of certain Phases of the audit.

References

References were contacted for the two finalist firms. Comments and ratings received were all positive.

Contract Negotiations

We expect engagement negotiations to be brief. In order to streamline contract negotiations, the general form of the contract was included with the original request for proposal.

All bidders' were instructed to provide any comments or objections to any term in the contract and to propose language for each modification and/or additional term sought, along with the reasons for their proposed changes. Milliman proposed using the existing contract in place with LACERA. Mercer provided a number of exceptions to the specifications, terms, and conditions of the Proposal and listed specific sections and provisions.

FIRM SUMMARY

Mercer

Mercer's global network of more than 21,000 employees across four lines of business brings industry-leading solutions to more than 28,000 clients worldwide. Mercer has provided Retiree Drug Subsidy (RDS) audit services since the program's inception in 2006. E. Clayton Levister, III, will serve as the Relationship Manager. Mr. Levister has been with Mercer for over 20 years and has had a leadership role on major public sector accounts, including LACERA. Other key personnel proposed by Mercer have the extensive experience and knowledge necessary to provide the requested audit services. The Mercer implementation plan presented to LACERA was comprehensive and the fees proposed were the second lowest. Mercer suggested a large number of reasonable changes to the sample contract; it is likely minimal contract negotiations would be necessary to reach an agreement should Mercer be selected.

Milliman

Milliman is LACERA's current, actuarial consulting firm, in good standing, and is among the largest independent actuarial and consulting firms in the world, with more than 3,200 employees; and the firm serves the full spectrum of business, governmental, and financial organizations. Milliman has been providing RDS audit services for eight years since Brian Anderson, the Lead Consultant proposed for this project, joined the firm. Brian Anderson has been auditing and preparing RDS cost reports since 2006. In addition, Milliman has provided Medicare Part D RDS audit services to LACERA since 2013. Other key personnel proposed by Milliman have the experience necessary to provide the requested services in the RFP. The Milliman implementation plan presented to LACERA was comprehensive; and although the fees proposed were the highest, Milliman did recommend cost savings and stated a willingness to negotiate price decrease by eliminating certain tasks.

TRICAST, LLC

TRICAST, LLC has been providing services requested in the RFP for seven years. TRICAST has 40 employees and are currently working with approximately 70 clients ranging from audit services to pharmacy benefit program consulting. Greg Rucinski, founded TRICAST in 1997 and leads all aspects of consulting services for the pharmacy benefits practice. Greg will be responsible for the overall project coordination.

Roy Wilkinson is the founder of Wilkinson Benefit Consultants, Inc. a Los Angeles-based consulting firm that focuses exclusively in pharmacy benefit consulting. Since 2006, Roy Wilkinson has worked with a number of state governments regarding Medicare Part D and the evaluation of PDPs and comparisons of retiree drug subsidy. TRICAST is based in Milwaukee, WI, and Roy will provide a local presence to this project. There was a question with the relationship between TRICAST and Wilkinson Benefit Consultants. Mr. Wilkinson explained he is a consultant for TRICAST. Other key personnel proposed by TRICAST have the experience for pharmacy management and audits, but TRICAST did not provide much information on their experience necessary to provide the requested services in the RFP. TRICAST is heavy on data analysis and leveraging their proprietary analytical tools. TRICAST provided the lowest proposed fees.

FINALIST EVALUATIONS

The Proposal Evaluation Committee found the two top scoring firms, Mercer and Milliman, well qualified to perform the Medicare Part D RDS Audit Services.

CONCLUSION

The two finalist firms will be making a presentation to the Board of Retirement meeting on September 15, 2016, to be interviewed by the Board of Retirement. The Board will also select the winning firm to provide the requested Medicare Part D Retiree Drug Subsidy Audit Services. Each presentation will take 15 minutes with five minutes for Questions and Answers. The order of the presentation was determined by the order in which the firms responded. Finalists will present in the following order.

1. Milliman
2. Mercer

LR:CS:ivi

Attachments

EXHIBIT A – STATEMENT OF WORK

Selected vendor will perform an audit of LACERA's Medicare Part D Retiree Drug Subsidy (RDS) program administration and subsidy submission process to provide assurance that this process is efficient, effective and functioning as intended. Additionally, vendor will review LACERA's Plan participants to ensure all qualifying covered retirees have been identified, as well as review the 2014-2015 Medicare Part D RDS reconciliation submitted for completeness, accuracy and compliance with the Centers for Medicare and Medicaid Services (CMS) rules and regulations. (Please see Phase 1 – Process Review, below.)

The decision to reopen a subsidy application will be largely dependent upon the results of the 2014-2015 (RDS) claims review. At LACERA's discretion, selected vendor may be engaged to re-open the 2014-2015 subsidy application and to ensure all necessary data/information is resubmitted to the Medicare RDS Program. (Please see Phase 1 – 2014-2015 Audit/Review, below.)

If sufficient errors/issues are identified in the audit of the 2014-2015 submissions, and a recommendation to reopen RDS applications for 2014-2015 is made and accepted by LACERA, LACERA may also choose to begin Phase 2 through Phase 3 and have the 2015-2016, 2016-2017 applications audited and reopened, for all plans. (Please see Phase 2 through Phase 3, on the following pages.)

Phase 1

2014-2015 Process Review

- A. Review LACERA RDS submission process to assure process is efficient and effective and functioning as intended
- B. Report results and recommendations for LACERA RDS submission process improvements.

2014-2015 Audit/Review

- A. Audit 2014-2015 RDS applications and reconciliations for all insurance plan carriers for completeness, accuracy and compliance using the attached MINIMUM AUDIT CRITERIA
- B. Report audit findings to LACERA, with all errors/exceptions found in the 2014-2015 RDS submission and provide recommendations for/against reopening of RDS submission.

2014-2015 Resubmission

If decision to reopen RDS applications is made by LACERA

- A. Reopen on LACERA's behalf
- B. Engage carriers/vendors in the reopening
- C. Provide all required submission data to/for RDS resubmission including a draft reopening letter
- D. Assure all supporting data/documentation is provided to LACERA for future audit reference.

Phase 2

2015-2016 Process Review

- A. Review LACERA RDS submission process to assure process is efficient and effective and functioning as intended
- B. Report results and recommendations for LACERA RDS submission process improvements.

2015-2016 Audit/Review

- A. Audit 2015-2016 RDS applications and reconciliations for all insurance plan carriers for completeness, accuracy and compliance using the attached MINIMUM AUDIT CRITERIA
- B. Report audit findings to LACERA, with all errors/exceptions found in the 2015-2016 RDS submission and provide recommendations for/against reopening of RDS submission.

2015-2016 Resubmission

If decision to reopen RDS applications is made by LACERA

- A. Reopen on LACERA's behalf
- B. Provide all required submission data to/for RDS resubmission
- C. Assure all supporting data/documentation is provided to LACERA for future audit reference.

Phase 3

2016-2017 Process Review

- A. Review LACERA RDS submission process to assure process is efficient and effective and functioning as intended.
- B. Report results and recommendations for LACERA RDS submission process improvements.

2016-2017 Audit/Review

- A. Audit 2016-2017 RDS applications and reconciliation for all insurance plan carriers for completeness, accuracy and compliance using the attached MINIMUM AUDIT CRITERIA.
- B. Report audit findings to LACERA, with all errors/exceptions found in the 2016-2017 RDS submission and provide recommendations for/against reopening of RDS submission.

2016-2017 Resubmission

If decision to reopen RDS applications is made by LACERA

- A. Reopen on LACERA's behalf
- B. Provide all required submission data to/for RDS resubmission
- C. Assure all supporting data/documentation is provided to LACERA for future audit reference.

EXHIBIT B – MINIMUM AUDIT CRITERIA

LACERA expects the audit to include the below listed areas. The audit provider is expected to enhance the testing criteria, where appropriate.

- A. **MEMBER ELIGIBILITY** -The purpose of this testing is to determine whether all qualifying covered retirees/survivors and dependents were included on the LACERA Covered Retiree List and whether all reported costs were incurred by qualified covered retirees and dependents. All participants will be examined to determine the following.
1. Was the participant included on the LACERA Covered Retiree List?
 2. Should the participant be included on the LACERA Covered Retiree List?
 - a. Was the participant a LACERA retiree/survivor or dependent enrolled in the Plan at the time services were rendered?
 - b. Was the participant a Medicare Part D eligible individual?
 - c. Was the participant enrolled in a Medicare Plan D plan?
 - d. Does the individual have coverage from his/her employer (not LACERA or LA County) based on current employment status?
 - e. Is the individual the spouse/dependent of a LACERA retiree who has coverage from his/her employer (not LACERA or LA County) based on current employment status?
 - f. Was the participant at least age 65 at the time services were rendered?
- B. **PRESCRIPTION DRUG ELIGIBILITY** - The purpose of this testing is to determine whether the prescription drug costs incurred by all participants were eligible under the Medicare Part D program. Reported costs shall be examined to determine the following.
1. Is the prescription drug eligible under Medicare Part D?
- C. **COST REPORTING** - The purpose of this testing is to determine whether the claims cost amounts submitted by carriers/vendors were accurate and in compliance with the CMS guidelines and requirements. Reported costs shall be examined to determine the following.
1. Does aggregate cost data reported to the RDS center reconcile with the back-up detail file prepared by the carrier/vendor for each Benefit Option?
 2. Was cost data submitted for claims incurred during the submission period?
 3. Was the “Threshold Reduction” correctly reported for each member?
 4. Was the “Limit Reduction” correctly reported for each member?
 5. Was the “Gross Eligible” correctly calculated and reported?
 6. Was the “Estimated Cost Adjustment” correctly calculated and reported?
 7. Was the “Allowable Retiree Cost” correctly calculated and reported?
 8. Was the “Subsidy Amount” correctly calculated and reported?
 9. Was the Gross Retiree Costs reduced by 0.3%, per Option 6 of CMS’ Part B vs. D guidance.

EXHIBIT C - FEE REVIEW

		Mercer	Milliman
Phase 1	2014-2015 LACERA Process Review	\$ 100,000	\$ 30,000
	2014-2015 LACERA Audit/Review	\$ 122,000	\$ 103,240
	2014-2015 Resubmission	-0-	\$ 55,450
Phase 2	2015-2016 LACERA Process Review	\$ 75,000	\$ 33,000
	2015-2016 LACERA Audit/Review	\$ 110,000	\$ 113,567
	2015-2015 Resubmission	-0-	\$ 60,996
Phase 3	2016-2017 LACERA Process Review	\$ 75,000	\$ 36,300
	2016-2017 LACERA Audit Review	\$ 110,000	\$ 124,922
	2016-2017 Resubmission	-0-	\$ 67,092
	TOTAL ALL PHASES:	\$ 592,000	\$ 624,567

2

EXECUTIVE SUMMARY

Mercer is uniquely suited to assist LACERA in the RDS audit and potential RDS resubmission if needed. Our Performance Audit practice has conducted general PBM audits, as well as RDS audits. We have expertise from our retirement practice to assist in the eligibility audit of the covered lives.

Some of the members of the project team are very familiar with LACERA's programs, vendors and have conducted Pharmacy audit work for LACERA in the past. All of the team members assigned have applicable technical expertise and experience related to Pharmacy audits and or RDS. All of the team members are committed to the amount of time needed to complete the project phases.

We have provided a phased implementation plan and data request components along with a description of our electronic comparison process for both the Covered Retiree List as well as the covered Part D drugs and cost report validation. Mercer maintains a proprietary database of covered Part D drugs to ensure that claims are only for covered drugs. Our process is collaborative with the plans. The Plans will be provide an exceptions list after each review and we will work with them to resolve it.

We have provided a timeline for phases 1 and 2 which will span from October 2016 to April of 2017. In the event that an application needs to be reopened, we will provide LACERA with the necessary documentation and calculations along with updates to the PBM's and plans.

3 QUESTIONNAIRE

ORGANIZATION

A. Provide the number of years the firm has been providing the services requested in this RFP, both in general and specifically for public sector retiree groups.

Mercer has been providing these services since the Retiree Drug Subsidy (RDS) program inception in 2006.

B. Please provide the size of the firm in terms of employees and clients.

Mercer's global network of more than 21,000 employees across four lines of business brings industry-leading solutions to more than 28,000 clients worldwide.

Organizational chart



Employee headcount

Mercer’s employees categorized by our businesses and solutions are listed below.

1 January 2016 Mercer worldwide headcount by solution	
BUSINESS/SOLUTION	NUMBER OF EMPLOYEES
Health	5,625
Retirement	4,415
Talent	2,450
Investments	2,350
Benefits administration	1,170
Mergers & acquisitions	70
Non-consulting*	5,235
Total Mercer	21,315

**Includes functions and regional market development.*

C. Provide the address, telephone number, facsimile number, and website of the firm’s office.

Corporate information

Address: 1166 Avenue of the Americas
New York, NY 10036

Phone: +1 212 345 7000

Fax: +1 212 345 7414

Website: www.mercer.com

Los Angeles office information

Address: 777 S. Figueroa Street Suite 2400
Los Angeles, CA 90017

Phone: +1 213 346 2539

Fax: +1 213 346 2680

Website: www.mercer.com

D. In the last 10 years, has the firm ever been involved in a lawsuit involving any services or services similar to those required by this RFP? If so, provide details, including dates and outcomes.

In the ordinary course of business, Mercer is involved with litigation and other legal proceedings, investigations, and inquiries, some of which are conducted on an industry-wide basis. Based on

Name, title, location	Role and responsibility	Qualifications	Dedication to LACERA
CORE TEAM			
E. Clayton Levister III <i>Principal</i> Los Angeles, California	Relationship Manager Responsible for Mercer's overall relationship with LACERA, ensuring seamless service delivery, monitoring team performance, providing problem resolution, and ensuring overall quality control.	<ul style="list-style-type: none"> Clay has been with Mercer for over 20 years and has had extensive experience at a health plan prior to that. He has had a leadership role on major public sector accounts including LACERA. 	Committed to as many hours needed to delivery on the services required.
Lisa Oswald <i>Principal</i> Richmond, Virginia	RDS Claims Review Responsible for RDS cost report reconciliation audit, ensuring that vendors complied with Covered Retiree Listing(s), Medicare Part D drug coverage and CMS regulations relative to the calculation and submission of cost reports for reconciliation.	<ul style="list-style-type: none"> Lisa has been with Mercer for 16 years and in the pharmacy benefit industry for over 22. She is the national leader of pharmacy benefit audits for Mercer and during her tenure has been responsible for over 850 audits. 	Committed to as many hours needed to delivery on the services required.
Scott Pollack <i>Principal</i> San Francisco, California	RDS Eligibility Review Responsible for Mercer's review of the Covered Retiree List, including leading Mercer's internal service delivery team and managing LACERA's third party administrators and PBMs, as appropriate	<ul style="list-style-type: none"> Scott is an actuary (ASA, EA) and leader of Mercer's Retirement business in Northern California. He has 15 years of experience with Mercer, and has been the leader of Mercer's RDS eligibility audit team since its inception. 	Committed to as many hours needed to delivery on the services required.
Steve Jacobson <i>Senior Associate and Technical Consultant</i> Melville, New York	Technical Consultant Responsible for managing data, incorporating Mercer's proprietary Medicare Part D drug coverage listing, and replicating the reconciliation cost reports using our proprietary software, RDSCAS.	<ul style="list-style-type: none"> Steve has been a health care technical expert for over 20 years. In his role at Mercer, he is the strategic resource for health care data programming and review. 	Committed to as many hours needed to delivery on the services required.
Katie Cakounes <i>Associate</i> Boston, Massachusetts	Technical Consultant Responsible for delivering Covered Retiree List review, including creating internal databases, identifying discrepancies and errors and assisting in executing change files	<ul style="list-style-type: none"> Katie is an actuarial associate with over 3 years of experience. She has been involved with CRL audits ever since she joined Mercer. 	Committed to as many hours needed to delivery on the services required.

REFERENCES

Z. Bidder shall provide a list of at least three current, or recent, government clients for whom the Bidder provides/provided Retiree Drug Subsidy Program audit services. For each client, Bidder shall specify the size of the client’s participant group(s), the period retained, and the names of team members assigned to each of these clients, who are also proposed as team members for this engagement. For each client, Bidder shall include the name, title, address, e-mail address, telephone, and facsimile numbers of a responsible individual who may be contacted as a reference.

Mercer's goal is to be the preeminent human resource consulting firm worldwide. dedicated to serving our clients with unparalleled quality and proven success. We help clients advance the health, wealth, and careers of their people.

Out of consideration for our clients' day-to-day responsibilities and busy schedules, we request that LACERA notify Relationship Manager E. Clayton Levister III before contacting the references provided, so that we can let our clients know when to expect their call.

Company and address	Contact name, title	Phone, fax and email
REFERENCE 1		
Union Pacific 1400 Douglas Street, Stop 0320 Omaha, Nebraska 68179	Jack Sullivan <i>General Director of Benefits</i>	Phone:+1 402 544 7075 Fax: +1 402 233 2735 JDSulliv@up.com
REFERENCE 2		
Nokia 600 Mountain Avenue Room 7C-411A Murray Hill, NJ 07974	Ingrid Orav <i>Director, Health Plans</i>	Phone: +1 908 582 2321 Fax: +1 908 582 1444 ingrid.orav@nokia.com
REFERENCE 3		
AIG 175 Water Street, 20th Floor New York, NY 10038	Lena Zisman <i>Senior Benefits Administrator</i>	Phone:+1 212 770 5387 Fax: +1 347 843 2982 Lena.Zisman@aig.com

FEE PROPOSAL

The (non-contingent) Fee Proposal should contain all pricing information relative to performing the required auditing services as described in this RFP. Bidder will estimate overhead, out-of-pocket, and administrative expenses and include them in the total not-to-exceed Fee. All expenses will be charged against the total not-to-exceed fee and not reimbursed separately. Prices for all services and/or deliverables provided shall be final.

AA. Please provide your firm's billing procedures.

Mercer is flexible in our compensation arrangements and we are open to discussing options with LACERA. Our top priority is to help you build a strategy that enables you to deliver benefits that meet your employees' needs, today and tomorrow. Our preferred approach is to do a fixed fee projects based upon the phases below.

- **Fixed fees/project based consulting** — Invoice for services rendered where the fee and services provided are negotiated in advance and are fixed, regardless of the time and expense related to resources applied. We would finalize the number of months associated with each phase to determine an amount to be billed monthly. Out-of-scope work is billed separately based on a pre-arrangement with the client.

If you need project work that goes beyond the scope of services we've agreed upon, we'll create fee-for-service charges based on the estimated number of hours for this consulting work. We are committed to total transparency in our partnership, and we'll discuss all of our fees with you before we begin working together.

Invoicing and terms

Mercer's policy is to send monthly invoices for services and expenses incurred. Out-of-pocket expenses (such as travel) are billed at cost. Payment is generally due 30 days from the date of the invoice.

BB. Please provide your total not-to-exceed maximum fee, for each project as described in Exhibit A – Statement of Work, using the format defined in Exhibit D – Fee Proposal. Exhibit D of the RFP will become Exhibit C of the final Agreement for Audit Services.

	Cigna	Kaiser	Prudent Buyer	Anthem Blue Cross		
				Plan I	Plan II	Plan III
PHASE 1						
2014-2015 LACERA Process Review	\$100,000					
2014-2015 LACERA Audit/Review	\$28,000	\$28,000	\$28,000	\$38,000		
2014-2015 Resubmission	\$0					
PHASE 2						
2015-2016 LACERA Process Review	\$75,000					
2015-2016 LACERA Audit/Review	\$25,000	\$25,000	\$25,000	\$35,000		
2015-2016 Resubmission	\$0					
PHASE 3						
2016-2017 LACERA Process Review	\$75,000					
2016-2017 LACERA Audit/Review	\$25,000	\$25,000	\$25,000	\$35,000		
2016-2017 Resubmission	\$0					
Phase 1	\$222,000					
Phase 2	\$185,000					
Phase 3	\$185,000					
	\$592,000					
Assumptions:						
<ul style="list-style-type: none"> • It is more efficient and accurate to conduct the Process Review globally versus individually by PBM/plan. • Information and programming utilized in Phase 1 allow lower fees in Phases 2 and 3. • PBMs will provide one claims extract for full population(s). • We are happy to assist in providing information and cost data to facilitate resubmission; however, Mercer cannot act as the authorized representative or account manager for RDS purposes. • PBMs and LACERA provide accurate data, materials, and timely responses. • We recognize that LACERA may have want some adjustments to the project scope/budget and are open to discussion to ensure the project meets your needs 						

A

BIOGRAPHIES

Biographies for your Mercer team members are listed below in alphabetical order

KATIE CAKOUNES

Katie is an associate in Mercer's Retirement business in the Boston office. Katie has been with Mercer since June of 2013. Her experience includes ERISA actuarial valuations, government filing preparation, accounting disclosures, and benefits administration work. In addition, Katie has been internally managing Mercer's RDS CRL audit team, assisting in the development of proprietary databases, overseeing the review of preliminary CRLs and creating audit reports for clients and third party administrators.

Katie graduated with a MS in actuarial science from Boston University and a BS in computational mathematics from the University of Massachusetts Dartmouth. She is a working towards becoming a credentialed actuary.

E. CLAYTON LEVISTER III

Clay is a principal and senior consultant with the Health business in Mercer's Los Angeles office. Clay has 27 years of experience in the healthcare industry. He has wide expertise as a senior consultant, including strategic planning, plan design, vendor selection, budget projections, funding mechanisms, and renewal negotiations. He has worked with corporations and public entities of varied sizes, with extensive consulting to retirement boards and labor management organizations on the full range of health and benefits topics covering strategic planning, compliance/regulatory issues, and financial/funding mechanisms.

Prior to joining Mercer, Clay began his consulting career with A. Foster Higgins. His first 7 years was with a major insurer with several assignments between the underwriting and group information systems area.

Clay holds a BA from Occidental College with a major in mathematics and minor in economics. Clay is licensed to practice as a life and disability agent in California.

STEPHEN JACOBSON

Steve Jacobson is a senior associate in the New York Healthcare and Group Benefits practice. He has more than 20 years of experience processing insurance claim data. His background includes designing and developing medical statistical reports for networks and clients. He has experience developing reports for managed care and indemnity products, as well as HEDIS and physician profile reports. Some of his recent Mercer projects have included: Discount analysis for multiple clients. Electronic drug audits which include screening for pricing errors, Copay/coinsurance errors, Non Covered drugs, Refills to soon.

Before joining Mercer Human Resource Consulting, Stephen was the manager of the SAS programming unit at MetLife Managed Care Service Group. Stephen graduated with honors from C.W. University with a B.S. in Psychology

LISA OSWALD

Based in Mercer's Richmond office, Lisa been with Mercer for 16 years. She is the national leader of all pharmacy audits conducted by the Performance Audit Group. Lisa manages a national team of project managers, audit analysts, and programmers. In addition, Lisa is responsible for maintaining a detailed knowledge of all facets of the pharmacy benefit management (PBM) industry including PBM operational capabilities, and national standards such as the National Council of Prescription Drug Programs (NCPDP). Having a strong PBM background, Lisa performs extensive pharmacy audits across all PBM operations, providing detailed prescription claims analysis. Lisa has been responsible for over 500 pharmacy audits.

Lisa has more than 22 years of experience in the pharmacy benefit management industry. Prior to joining Mercer, Lisa was part of a client management team for an organization providing project management support to both commercial and government prescription drug clients. As part of this team, Lisa was responsible for ensuring adherence to state and federal laws and regulations, as well, as proper administration of individual client benefits. She has significant experience working with large employers and very complex plans.

Lisa is licensed as a health care benefits consultant in the state of Virginia. Additionally, Lisa is a member of NCPDP and sits on work group committees that develop national prescription drug processing standards.

SCOTT POLLACK

Scott is currently Mercer's northern California Retirement Business Leader, based in San Francisco, California. A consultant and principal, he contributes to the development and management of Mercer's relationship with several major clients, providing strategic design and actuarial consulting. Additionally, Scott plays a key role in Mercer's North American Retirement leadership group, formerly acting as a member of the young leader's group advisory panel and now leading innovation initiatives for the Retirement business.

In addition, Scott has worked with Lisa to create Mercer's RDS audit support solution, focusing on RDS eligibility and CRL review. Scott also acts as a designee for 10 plan sponsors and 47 applications, assisting clients by managing retiree populations, coordinating data flows between plan sponsors, third party administrators and PBMs and acting as a cost reporter.

Scott earned a BA in mathematics and a BS in actuarial science from the Wharton School at the University of Pennsylvania. He is an associate in the Society of Actuaries, an Enrolled Actuary and a member of the American Academy of Actuaries. Scott was also named one of Boston's Future Leaders by the Boston Chamber for 2013.

EXECUTIVE SUMMARY

In response to your RFP, Milliman is pleased to present this proposed project work plan for Medicare Part D Retiree Drug Subsidy (RDS) auditing services for the Los Angeles County Employees Retirement Association (LACERA). Milliman will provide LACERA with professional consulting services to conduct a compliance audit of the RDS cost reporting for all phases defined in the RFP. LACERA has proposed the project phases from oldest to most recent. We recommend that LACERA consider focusing on the most recent plan years first. We feel this is important because CMS may be more willing to reopen recent plan years for resubmissions, and the pharmacy benefit manager (PBM) will have the data more readily available.

We appreciate the opportunity to extend our relationship with LACERA, and we would perform these projects under our current contract with LACERA.

ORGANIZATION

In this section, the Bidder shall address the qualifications of the firm.

- A. Provide the number of years the firm has been providing the services requested in this RFP, both in general and specifically for public sector retiree groups.**

Milliman has been providing the subject matter expertise and assistance in the electronic assessments and onsite reviews for various plan sponsors and health plans for more than 20 years. Milliman has been providing RDS audit services for 8 years since Brian Anderson joined the firm. Brian Anderson has been auditing and preparing RDS cost reports since 2006.

- B. Please provide the size of the firm in terms of employees and clients.**

Milliman is among the world's largest independent actuarial and consulting firms. With more than 3,200 employees and revenues of US\$905 million in 2015, the firm serves the full spectrum of business, governmental, and financial organizations. Founded in 1947, Milliman today has offices in principal cities worldwide, covering markets in North America, Latin America, Europe, Asia and the Pacific, the Middle East, and Africa.

- C. Provide the address, telephone number, facsimile number, and website of the firm's office.**

4370 La Jolla Village Drive
Suite 700
San Diego, CA 92122
Tel (858) 558-8400
Fax (858) 597 0111
milliman.com

person receiving the gift, (2) the earlier of the date the gift was promised or given, (3) a brief description of the gift, and (4) the fair market value of the gift when promised or given, whichever is greater.

No gifts were given to members of LACERA’s Board of Retirement and staff or staff employed or anyone associated with the Plan Sponsor (Los Angeles County) within the twelve months immediately prior to the date of this RFP.

PROFESSIONAL STAFF

Bidder shall state the role(s) that each proposed person will perform on this project and identify key personnel for this project. Bidder shall relate the qualifications of each of the personnel being proposed to the role(s) they are to fulfill. The information provided shall be specific to the actual experience/qualifications of each proposed person.

M. Provide list of staff members to be assigned to this project, office location, and expected hours per staff member dedicated to the project.

Name	Office Location	Expected Hours for All Phases
Brian Anderson, MBA	San Diego, CA	264
Patrick Cambel, CPhT	San Diego, CA	297
Angela Reed	San Diego, CA	72
Matt Schoonmaker, ASA	San Diego, CA	110
Marina Zen, ASA	San Diego, CA	80
Andrew Dressler	San Diego, CA	110
Rebekah Bayram, FSA, MAAA	San Diego, CA	90

N. Provide biographies of staff to be assigned to this project and indicate the specific roles of each staff member. Please include recent projects similar to this assignment, education, training, and professional certifications.

Name	Role	Similar Projects
Brian Anderson, MBA	Lead Consultant & RDS Expert	RDS Audit, Part D Data Validation, PBM Claims Audit
Patrick Cambel, CPhT	PBM Database Expert	RDS Audit, Data Validation, PBM Claims Audit
Angela Reed	RDS Reopening Expert & Project Manager	RDS Audit, Data Validation, PBM Claims Audit
Matt Schoonmaker, ASA	Data Analyst	RDS Audit, Data Validation, PBM Claims Audit

Brian N. Anderson

MBA
Consultant



CURRENT RESPONSIBILITY

Brian is a consultant with the San Diego office of Milliman. He joined the firm in 2008, and has been a pharmacy benefits consultant since 2001.

EXPERIENCE

Brian has provided pharmacy benefit consulting services to a wide range of clients, including Medicare plans, Medicaid MCOs, VA, health plans, state systems, union funds, coalitions, high-risk pools, PBMs, GPOs, and large employers. His consulting specialty is the prescription drug benefit market. His experience includes understanding prescription benefit operations, pharmacy benefit manager contracting, cost management, program development, and yearly benefit planning. He has demonstrated success in prescription benefit management, strategic planning, and problem solving, and has a successful track record of overall cost management, with an emphasis on practical and focused solutions.

Brian's experience includes:

- Healthcare reform
- Management of Medicare and Medicaid programs
- Auditing
- Contracting
- Vendor selection
- Benefit planning
- Benefit operations management
- Vendor oversight
- Benefit design
- Cost analysis

PRESENTATIONS

- IFEBP Annual Conference
- NCPERS Annual Conference
- World Congress Executive Forum on PBM Strategies
- National Healthcare Reform Conference
- ISCEBS Employee Benefits Symposium

PUBLICATIONS

- *Medicare Part D: Optimizing the Opportunities for Employer Plans* (IFEBP, *Benefits and Compensation Digest*, Volume 46, No. 4, Feb. 2009.)
- *Medicare Part D: Taking another look at employee group waiver plans for tax-exempt plan sponsors* (Milliman Briefing Paper, 2009)
- *Effective contracting with Pharmacy Benefit Managers: Protecting a plan sponsor's resources* (Society of Actuaries, *Health Watch*, Issue 63 Feb. 2010)
- *Healthcare reform and Medicare Part D: Closing the donut hole-and more* (Milliman Briefing Paper, 2010)
- *Healthcare reform and pharmacy benefits: Changes in benefits and reporting requirements* (Milliman Briefing Paper, 2010)
- *Law of Averages: New benchmarks for wholesale drug pricing have the health industry scrambling to adapt.* (AM Best, *Best's Review*, May 2010)
- *Coming to Grips with Reform and its Impact on Drug Coverage.* (InsuranceNewsNet Magazine, August 2010)
- *Are your pharmacy benefits being adjudicated properly?* (Benefits Magazine, May 2014)

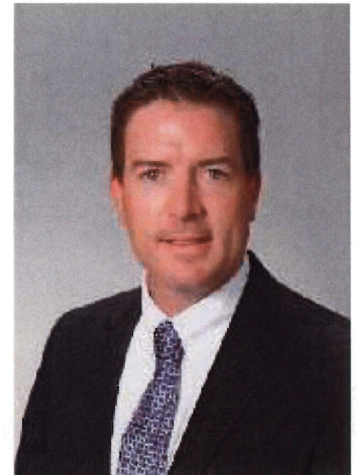
Publications are available at <http://www.milliman.com>

PROFESSIONAL ASSOCIATIONS

- National Council of Prescription Drug Plans (NCPDP)

EDUCATION

- MBA, University of Phoenix
- BA, Biology and Health-Related Areas, Columbia College



Patrick Cambel

CPhT

Analyst



CURRENT RESPONSIBILITY

Patrick is a pharmacy analyst with the San Diego office of Milliman. He joined the firm in 2012, and has been working in pharmacy since 2006.

EXPERIENCE

Patrick has previously worked for a major pharmacy benefit manager (PBM) and pharmacy field experience working at multiple major retail pharmacy chains. Patrick has worked in multiple operational roles including contact center, prior authorizations, and benefit configurations. In addition, Patrick held positions in internal audit and provider audit. His specialty is in pharmacy claims processing and performance guarantees. He has supported a wide range of clients including Medicare Part D plans, state Medicaid plans, health plans, self-insured employer groups, and third party administrators.

Patrick's experience includes

- Benefit Plan Design
- Contact Center Operations
- Fraud, Waste, and Abuse
- Medicare Part D Data Validations
- Medicare Part D Employer Group Waiver Plans (EGWP)
- Medicare Part D Retiree Drug Subsidy (RDS)
- Medicare Part D Star Ratings
- Performance Guarantees
- Pharmacy Benefit Manager Audits
- Pharmacy Claims Processing
- Pharmacy Audits
- Prior Authorization Processing
- Cost analysis
- Contracting
- Vendor selection
- Vendor oversight

EDUCATION

BS, Pharmacology,
University of California, Santa Barbara

PROFESSIONAL DESIGNATIONS

- Certified Pharmacy Technician, Pharmacy Technician Certification Board
- Pharmacy Technician License, California Board of Pharmacy



Angela Reed

GBA
Analyst



CURRENT RESPONSIBILITY

Angela is an analyst with the San Diego office of Milliman. She joined the firm in 2013, and has been working in pharmacy benefits management (PBM) industry since 2008.

EXPERIENCE

Angela has previously worked for a nationally recognized, full-service Pharmacy Benefit Manager (PBM). She has worked in a variety of different roles within pharmacy benefits including design, configuration, testing and validation, and operations management. Angela's specialty is in benefits testing and validation. She has supported a wide range of clients analyzing claims to identify discrepancies, inaccuracies and anomalies to ensure claims are adjudicated accurately. Clients Angela has worked with include managed care plans, Medicare Part D plans, self-insured employer groups, and third party administrators.

Angela's experience includes:

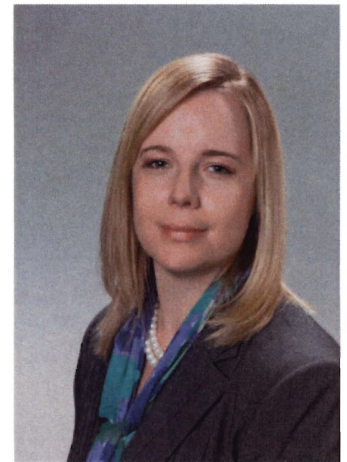
- Operations Management
- Process Improvement
- Benefit Design
- Benefit Configuration
- Benefit Testing and Validation
- Claims Review and Monitoring
- Performance Guarantees
- Medicare Part D Retiree Drug Subsidy (RDS)
- Medicare Part D Applications
- Medicare Part D Data Validations
- Medicare Part D Readiness Reviews
- Medicare Part D Mock Audits
- Pharmacy Benefit Manager (PBM) Request for Proposal (RFP)

EDUCATION

BS, Business Administration,
California State University, San Marcos

PROFESSIONAL DESIGNATIONS

Group Benefits Associate, International
Foundation of Employee Benefit Plans



Matt Schoonmaker, ASA, MAAA

Associate Actuary



CURRENT RESPONSIBILITY

Matt is an associate actuary with the San Diego office of Milliman. He joined the firm in 2012 and has worked in the actuarial profession since 2010. He is currently working towards his Fellowship in the Society of Actuaries.

EXPERIENCE

Since joining Milliman, Matt has performed work for a variety of client plans including HMOs, PPOs, Medicare Part D, and large employers. He has focused on the cost management of the pharmacy benefits for plans. His experience includes:

- Pharmacy Benefit Manager (PBM) Audits
- PBM Market Checks
- PBM Quarterly Reporting
- PBM Stop-loss analysis
- Re-pricing claims analysis
- Medicare Part D Retiree Drug Subsidy (RDS)
- Medicare Part D Data Validation
- Incurred But Not Paid (IBNP) estimations
- Data analysis of health claims used to price plans
- Research of landscape of health markets due to PPACA
- Analyzing, interpreting and extrapolating data

EDUCATION

BA, Mathematics, and Economics
Whitman College



Marina Zen
ASA, MAAA
Associate Actuary



CURRENT RESPONSIBILITY

Marina is an associate actuary with the San Diego office of Milliman. She joined the firm in 2015. She is an Associate of the Society of Actuaries.

EXPERIENCE

Since joining Milliman, Marina has performed work for a variety of different clients, including HMOs, PPOs, and large employers. Her experience includes:

- Commercial pricing and rate filings
- Healthcare cost benchmarking
- Incurred but not reported (IBNR) reserving
- Healthcare reform
- Research projects

Prior to joining Milliman, Marina was a senior actuarial assistant at the California Department of Insurance (CDI).

PROFESSIONAL DESIGNATIONS

- Associate, Society of Actuaries
- Member, American Academy of Actuaries

EDUCATION

BA, Mathematics and Sociology,
University of California, San Diego



Andrew Dressler

Actuarial Analyst



CURRENT RESPONSIBILITY

Andrew is an actuarial analyst with the San Diego office of Milliman. He joined the firm in 2015. He is currently working towards his Associateship in the Society of Actuaries.

EXPERIENCE

Since joining Milliman, Andrew has performed work for a variety of different clients, including HMOs, PPOs, large employers, trusts, and a state-based exchange. His experience includes:

- Incurred but not reported (IBNR) reserving
- Cost benchmarking
- Medicare Part D Data Validations
- Commercial rate filings
- Research projects

Prior to joining Milliman, Andrew was a data analyst for a tech company focused on the retirement industry.

EDUCATION

BS, Mathematics and Economics,
University of California, San Diego



Rebekah D. Bayram

FSA, MAAA, FCA
Principal and Consulting Actuary



CURRENT RESPONSIBILITY

Rebekah is a principal and consulting actuary in the San Diego office of Milliman, Inc. She joined the firm in 2007 and has been in the actuarial profession since 1997. Rebekah consults with employer benefit plans and healthcare insurers and providers in both the public and private sectors.

EXPERIENCE

Rebekah's healthcare experience includes pricing, benefit design, feasibility studies, utilization and cost benchmarking, and projecting liabilities for claims incurred but not reported.

She has served on a healthcare reform taskforce, and has provided consulting services to several states developing health benefits exchanges. She has been the consulting actuary for several regional California health plans submitting products for the California exchange.

Rebekah has worked with many employers and other group benefit sponsors, providing a wide variety of consulting services such as retiree medical valuations, Retiree Drug Subsidy attestation and settlement calculations, pharmacy benefit manager (PBM) request-for-proposal evaluations, and PBM audits.

Rebekah has worked on various committees for the Conference of Consulting Actuaries and served as a member of its Board of Directors for three years.

PROFESSIONAL DESIGNATIONS

- Fellow, Society of Actuaries
- Member, American Academy of Actuaries
- Fellow, Conference of Consulting Actuaries

EDUCATION

BA, Mathematics, Rutgers University



- Actual Cost Adjustment (ACA) from PBM
- Monthly subsidy amounts estimated by PBM, including the following amounts needed for the RDS calculation:
 - Gross Retiree Cost (GRC)
 - Threshold Reduction (THR)
 - Limit Reduction (LR)
 - Gross Eligible (GE)
 - Estimated Cost Adjustment (ECA)
 - Allowable Retiree Cost (ARC)
 - Subsidy Amount (SA)
- Information used to identify Part D eligible drugs, including B vs. D determination
 - Any database (SQL or SAS) coding logic or a list fields used in identifying these claims
- All the monthly cost reports submitted to LACERA for claims experience

The following items will be provided by Milliman:

- Prescription Drug Eligibility: Milliman developed a list of prescription drugs eligible for coverage under the Medicare Part D program as defined in the “Medicare Prescription Drug Benefit Manual: Chapter 6 – Part D Drugs and Formulary Requirements” (Available on the web at <http://www.cms.gov/PrescriptionDrugCovContra/downloads/R2PDBv2.pdf>)

REFERENCES

- Z. Bidder shall provide a list of at least three current, or recent, government clients for whom the Bidder provides/provided Retiree Drug Subsidy Program audit services. For each client, Bidder shall specify the size of the client’s participant group(s), the period retained, and the names of team members assigned to each of these clients, who are also proposed as team members for this engagement. For each client, Bidder shall include the name, title, address, e-mail address, telephone, and facsimile numbers of a responsible individual who may be contacted as a reference.**

Milliman has provided RDS auditing services to two governmental clients as stated in the requirement section of the RFP. The services were provided separately for plan years 2009, 2012, 2013, 2014, 2015, and 2016.

Client: LACERA

Size: 40,000 lives

Period retained: 2013, 2014, 2015, and 2016

Team members assigned: Angela Reed, Brian Anderson, Patrick Cambel, Matt Schoonmaker, and Rebekah Bayram

Contact: Cassandra Smith

Title: Director Retiree Healthcare
Address: 300 N. Lake Ave, #300 Pasadena, CA 91101
Email: CSmith@lacera.com
Tel: (626) 564-6000 ext. 3621

Client: Division of State Group Insurance, Florida Department of Management Services
Size: 175,000 lives
Period retained: 2010, 2012
Team members assigned: Brian Anderson, Patrick Cambel, Matt Schoonmaker, and Rebekah Bayram
Contact: Toletha Sylvester, MBA, FCCM
Title: Senior Management Analyst II
Address: 4050 Esplanade Way, Suite 215E, Tallahassee, FL 32399-0950
Email: Toletha.Sylvester@dms.myflorida.com
Tel: (850) 921-4543
Fax: (850) 488-0252

On an annual basis, we conduct Medicare Part D Data Validation Audit Services to the governmental clients listed below:

Client: Missouri Department of Transportation
Size: 25,000
Period retained: 2011 to current
Team members assigned: Brian Anderson, Patrick Cambel, Matt Schoonmaker, Rebekah Bayram, and Angela Reed
Contact: Jeff Padgett
Title: Director of Risk and Benefits Management
Address: Central Office
105 W. Capitol Avenue
Jefferson City, MO 65102
Email: Jeffery.Padgett@modot.mo.gov
Tel: (573) 522-6197
Fax: (573) 751-5266

Client: Kentucky Retirement Systems
Size: 35,000
Period retained: 2011 to current
Team members assigned: Brian Anderson, Patrick Cambel, Matt Schoonmaker, and Angela Reed
Contact: Connie Pettyjohn R.N.
Title: Director of Retiree Health Care
Address: Perimeter Park West
1260 Louisville Road
Frankfort, KY 40601-6124
Email: connie.pettyjohn@kyret.ky.gov



Tel: 502-696-8457
Fax: n/a

Milliman has also provided RDS auditing services, and Medicare Part D compliance audits, to a variety of non-governmental clients.

FEE PROPOSAL

The (non-contingent) Fee Proposal should contain all pricing information relative to performing the required auditing services as described in this RFP. Bidder will estimate overhead, out-of-pocket, and administrative expenses and include them in the total not-to-exceed Fee. All expenses will be charged against the total not-to-exceed fee and not reimbursed separately. Prices for all services and/or deliverables provided shall be final.

AA. Please provide your firm’s billing procedures.

Milliman bills on a project basis. Milliman will submit invoices after each phase is complete and presented to LACERA. The budgets presented above assume that Milliman is asked to complete all tasks within each phase. In addition, we recommend that LACERA revisit the scope after phase 1 is complete to reassess the progress and findings to make sure resources are spent appropriately.

BB. Please provide your total not-to-exceed maximum fee, for each project as described in Exhibit A - Statement of Work, using the format defined in Exhibit C – Fee Proposal.

		Cigna	Kaiser	Anthem Blue Cross			
				Prudent Buyer	Plan I	Plan II	Plan III
Phase 1	2014-2015 LACERA Process Review	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
	2014-2015 Audit/Review	\$26,205	\$19,615	\$14,355	\$14,355	\$14,355	\$14,355
	2014-2015 Resubmission	\$16,845	\$16,845	\$ 5,440	\$ 5,440	\$ 5,440	\$ 5,440
Phase 2	2015-2016 LACERA Process Review	\$ 5,500	\$ 5,500	\$ 5,500	\$ 5,500	\$ 5,500	\$ 5,500
	2015-2016 Audit/Review	\$28,826	\$21,577	\$15,791	\$15,791	\$15,791	\$15,791



		Cigna	Kaiser	Anthem Blue Cross			
				Prudent Buyer	Plan I	Plan II	Plan III
	2015-2016 Resubmission	\$18,530	\$18,530	\$ 5,984	\$ 5,984	\$ 5,984	\$ 5,984
Phase 3	2016-2017 LACERA Process Review	\$ 6,050	\$ 6,050	\$ 6,050	\$ 6,050	\$ 6,050	\$ 6,050
	2016-2017 Audit/Review	\$31,708	\$23,734	\$17,370	\$17,370	\$17,370	\$17,370
	2016-2017 Resubmission	\$20,382	\$20,382	\$ 6,582	\$ 6,582	\$ 6,582	\$ 6,582

EXCEPTIONS

CC. Any exceptions to the specifications, terms, and conditions of the RFP shall be explicitly set forth in this section of the Proposal. If there are no exceptions, the Bidder shall explicitly state the Bidder takes no exception to the RFP’s specifications, terms and conditions

The only exception is to request the use of the existing contract. If this exception is not granted, Milliman reserves the right to propose edits to LACERA’s standard terms and conditions.

CONTRACT REVIEW

The general form of the contract is included with this Proposal in Exhibit E – Sample Contract. By submitting a Proposal without comment on the contract, Bidder is deemed to have agreed to each term in the contract, and will not seek any modifications to the contract. If Bidder objects to a term in the contract, or wishes to modify or add terms to the contract, Bidder’s Proposal must identify each objection, and propose language for each modification, and additional term sought, and includes the reasons therefore. LACERA reserves the right to make changes to the contract prior to execution.

Milliman proposes using the existing contract in place with LACERA, which is included in Appendix B of this proposal.

CONCLUSION

We look forward to continuing to support LACERA in this assignment. Please feel free to contact me if you have any questions about this proposal.

HEALTH WEALTH CAREER

RFP MEDICARE PART D RETIREE DRUG SUBSIDY PROGRAM (RDS)

PRESENTATION TO THE LACERA
BOARD OF RETIREMENT

SEPTEMBER 15, 2016

E. Clayton Levister III – Principal
Scott Pollack – Principal
Lisa Oswald – Principal

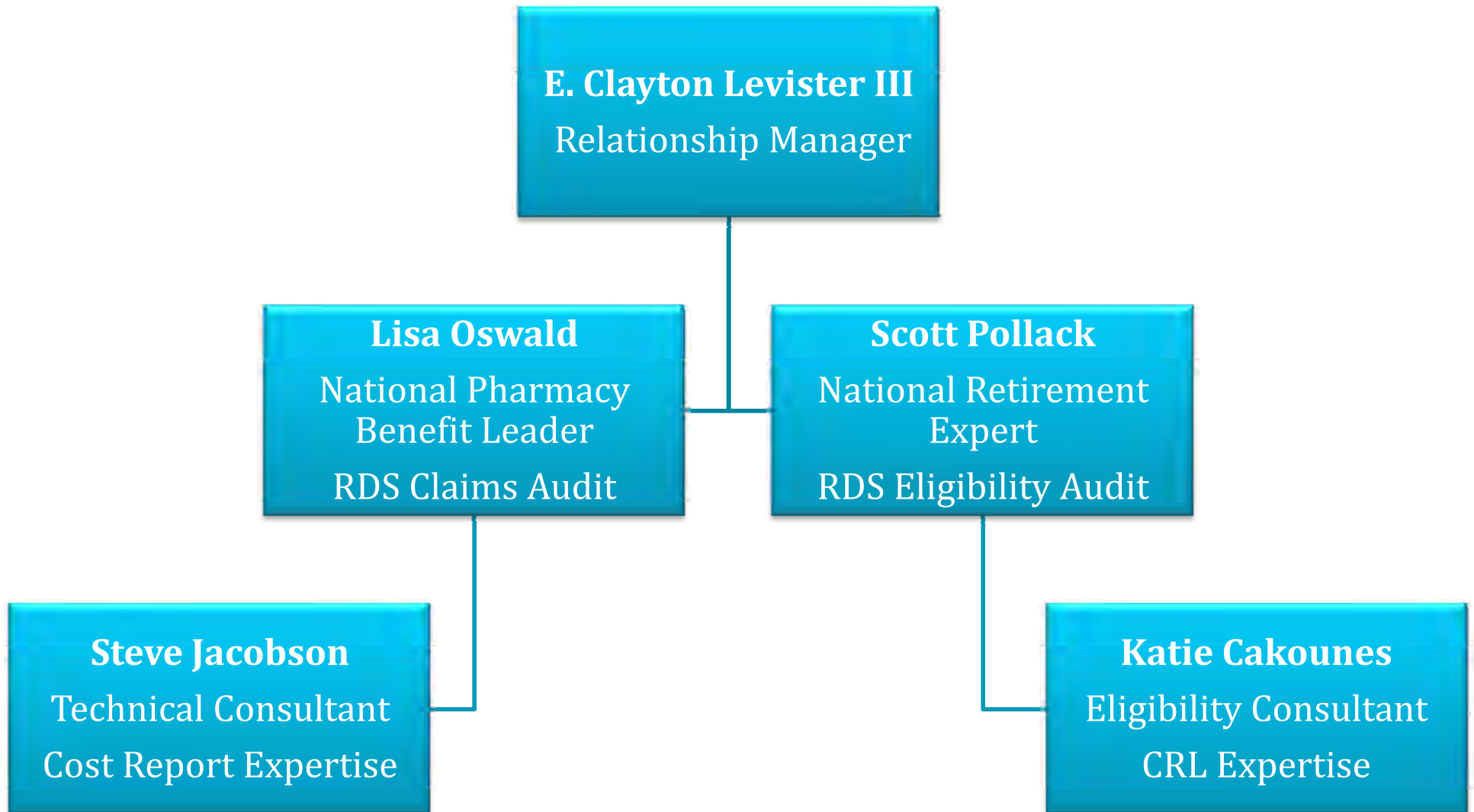


BIDDER PRESENTATION TO THE SELECTION COMMITTEE

AGENDA

- LACERA's Mercer Team
- RDS End-to-End Review
- Approach and Process
- Why Mercer
- Q&A

**BIDDER PRESENTATION TO THE SELECTION
COMMITTEE
LACERA'S MERCER TEAM**



BIDDER PRESENTATION TO THE SELECTION COMMITTEE

RDS END-TO-END REVIEW



Eligibility

- Vendor RDS eligibility database
- LACERA HRIS system and/or data utilized in the annual actuarial valuation (source of truth)
- Compare and reconcile data supplied by vendors with the final CRL generated from the RDS website
- Work with LACERA and vendors to gather the necessary information and resubmit applicable retirees



Claims

- Verification that each vendor used the final CRL and included all applicable claims
- Comparison of vendors drug coverage determination with Mercer's proprietary Part D listing
- Replicate final cost reports and compare with each vendor's to determine accuracy



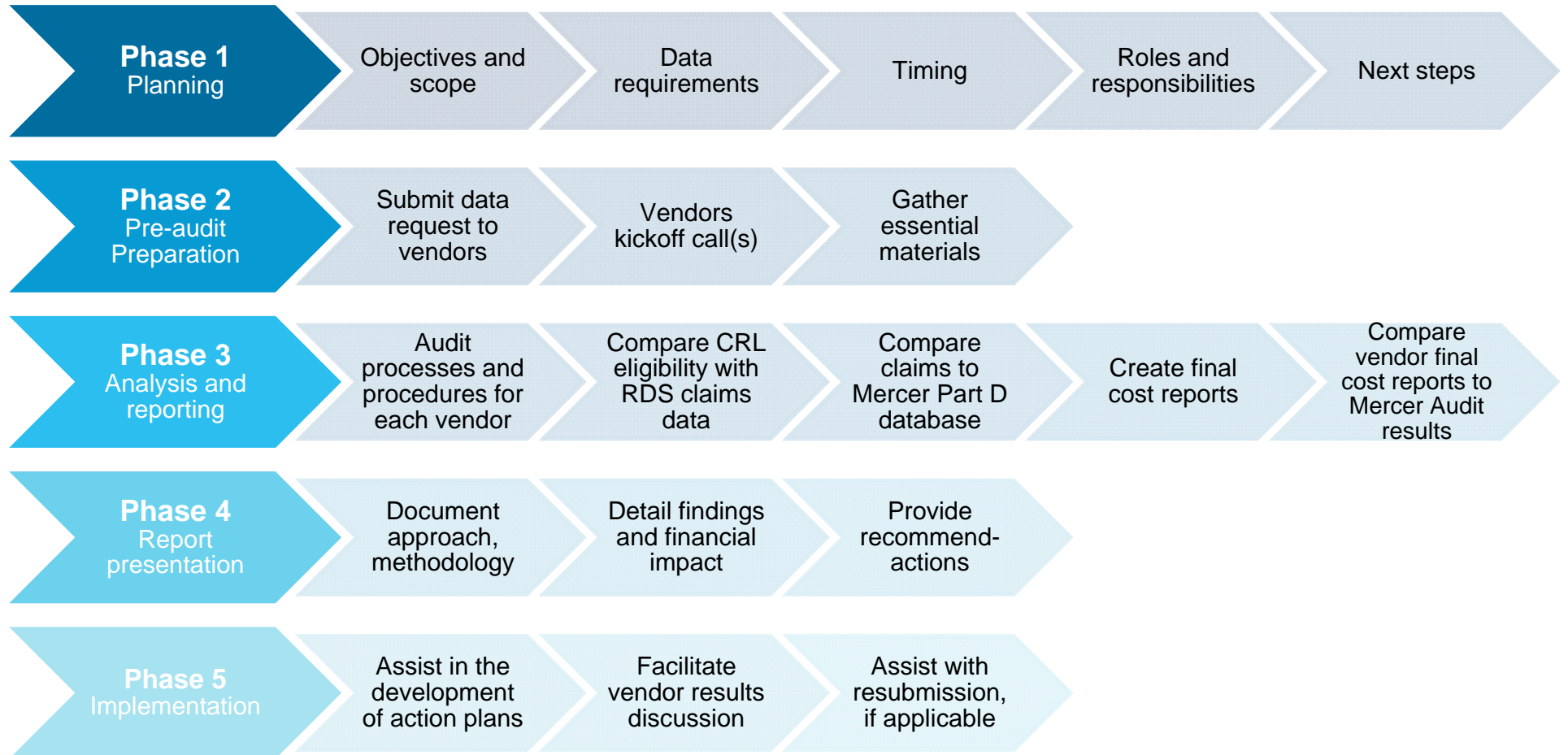
Reconciliation and Reporting

- Work with vendors to reconcile issues identified during each audit
- Work with LACERA to reopen applications, if applicable
- Document all findings and financial impact in formal report, including root-cause analysis and recommendations to resolve future discrepancies

Comprehensive End-to-End Approach to RDS Reconciliation

BIDDER PRESENTATION TO THE SELECTION COMMITTEE

APPROACH AND PROCESS



BIDDER PRESENTATION TO THE SELECTION COMMITTEE

WHY MERCER

- Expert team and tools
 - PBM audit experts
 - RDS eligibility experts
 - Proprietary tools, including Medicare Part D drug coverage listing
 - Technical, claims data, and cost report experts
- Experience
 - Conducting RDS audits since the 2006 reconciliation
- Results
 - Identification of millions of dollars in additional subsidy due to drug coverage and cost report calculation errors
 - Addition of thousands of eligible members to the final reconciliation, resulting in millions of additional subsidies

BIDDER PRESENTATION TO THE SELECTION COMMITTEE

Q & A





MERCER

MAKE TOMORROW, TODAY



Los Angeles County Employees Retirement Association

Medicare Part D Retiree Drug Subsidy Audit Services

Presented by:

Chris Girod, FSA, MAAA, Principal and
Consulting Actuary

Patrick Cambel, CPhT, Consultant

September 15, 2016

Agenda

- Introductions
- Milliman Overview
- Qualifications
- Medicare Part D Retiree Drug Subsidy (RDS) Audit Services
- Process
- Common Findings
- Sample Exhibit
- Conclusion and Open Discussion

Milliman Overview

- Independent consulting and actuarial firm
- Founded in 1947
- >\$700 million in revenue, 2,600 employees
- Independent, 100% owned by active principals
 - We do not sell insurance or broker deals.
- 55 offices in principal cities in US and worldwide
- Provide full range of actuarial consulting services, employee benefits consulting services, health consulting services, and IT consulting services
- Known for professional excellence, credibility, and objectivity
- Extensive healthcare experience – the majority of health plans in the US are clients of Milliman
- Significant amount of experience in working with governmental clients

Qualifications

- We meet or exceed the requirements of the RFP including:
 - We have worked with RDS programs since its inception in 2006
 - In-depth knowledge of Medicare Part D
 - Experience working with LACERA's staff
 - Worked on LACERA's RDS audits since 2014
 - Key Personnel have a minimum of five years experience auditing RDS applications
 - Performed two RDS audits on governmental clients having at least 5,000 participants within the last five years

Medicare Part D RDS Audit Services

Proposed Services

- Review of RDS submission process
 - Report will include findings and recommendations
- Audit/review of RDS applications
 - Report will include errors/exceptions and recommendations for/against resubmission
 - Milliman recommends focusing on the most recent plan years first
- RDS resubmission, if requested by LACERA
 - Reopen window on LACERA's behalf
 - Provide all required submission data
 - Provide LACERA with supporting data/documentation

Process

- Member eligibility testing
 - Determine whether reported costs were incurred by eligible Medicare participants.
- Prescription drug eligibility testing
 - Determine whether the prescription drugs incurred by all members were eligible for coverage under the Medicare Part D program.
- Cost reporting spreadsheet testing
 - Determine whether the subsidy amounts were calculated in accordance with the CMS guidelines and requirements.
- Review any feedback from the PBM and LACERA
 - Ensure that we include the PBM and LACERA's feedback into the audit process.

Common Findings

- Some retirees were not included in Covered Retiree List (CRL)
- Some drugs eligible under Medicare Part D were not included in the PBM's drug list
- Errors in subsidy calculation leading to potential additional subsidies
- Recommendations for improving PBM's cost reporting
- Reduce audit risk associated with accepting Federal funds



Sample Exhibit

**Table 1: Initial Review and Audit
2012 Jan to Jun Retiree Drug Subsidy (RDS) Summary Report
Client A
Milliman and PBM Estimation Comparison**

	<u>Member</u> <u>Counts</u>	<u>Gross</u> <u>Retiree</u> <u>Cost (GRC)</u>	<u>Threshold</u> <u>Reduction</u> <u>(THR)</u>	<u>Limit</u> <u>Reduction</u> <u>(LR)</u>	<u>Gross Eligible</u> <u>(GE) = GRC -</u> <u>(THR + LR)</u>	<u>Estimated</u> <u>Cost</u> <u>Adjustment</u> <u>(ECA)</u>	<u>Allowable</u> <u>Retiree Cost</u> <u>(ARC)</u> <u>= GE - ECA</u>	<u>Subsidy</u> <u>Amount (SA) =</u> <u>ARC x 0.28</u>
Milliman Estimation								
Members Found in CRL								
Application ABC Only	27,222	\$47,818,320	\$7,574,132	\$5,702,963	\$34,541,225	\$3,267,599.91	\$31,273,625	\$8,756,615
Application XYZ Only	1,382	\$2,444,778	\$377,496	\$357,249	\$1,710,032	\$161,769	\$1,548,263	\$433,514
Members in Both Applications	470	\$867,977	\$131,984	\$75,126	\$660,867	\$62,518	\$598,349	\$167,538
Subtotal		\$51,131,076	\$8,083,612	\$6,135,339	\$36,912,124	\$3,491,887	\$33,420,237	\$9,357,666
PBM Cost Reports								
Application ABC		\$47,369,478	\$7,684,252	\$5,199,473	\$34,485,753	\$3,263,522	\$31,222,861	\$8,742,227
Application XYZ		\$2,260,935	\$368,737	\$280,097	\$1,612,101	\$150,063	\$1,462,039	\$409,371
Subtotal		\$49,630,413	\$8,052,989	\$5,479,570	\$36,097,854	\$3,413,584	\$32,684,901	\$9,151,598
Difference in Dollars for members in both CRL(1)								
Percentage Difference (1)		\$1,500,663	\$30,623	\$655,769	\$814,270	\$78,303	\$735,337	\$206,069
		2.9%	0.4%	10.7%	2.2%	2.2%	2.2%	2.2%
Additional Findings								
Members Not Found in CRL	8,232	\$10,810,765	\$2,062,679	\$1,391,036	\$7,357,051	\$695,977	\$6,661,074	\$1,865,101

(1) Positive values in the Subsidy Amount represent possible payment due from CMS to Client A.

What sets Milliman apart from other companies?

- Proven success and experience with LACERA
- Actuarial, finance, compliance, IT, PBM, and subcontractor management expertise
- Attention to accuracy and peer review
- Extensive IT resources and expertise with all forms of pharmaceutical data
- Detailed knowledge of pharmaceutical economics and complexities
- Dedicated pharmacy consulting team



Conclusion and Open Discussion

Thank you

August 30, 2016

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

FROM: Steven P. Rice *SPR*
Chief Counsel

FOR: September 14, 2016 Board of Investments Meeting
September 15, 2016 Board of Retirement Meeting

SUBJECT: **BIENNIAL REVIEW OF LACERA'S CONFLICT OF INTEREST CODE,
AND ADOPTION OF REVISED CODE**

RECOMMENDATION

Staff recommends that the Boards:

1. Adopt the revised Conflict of Interest Code; and
2. Authorize staff to file the revised Code with the County of Los Angeles Board of Supervisors, which is the code reviewing authority.

Because every local agency is legally required to review its Conflict of Interest Code biennially in even numbered years, the Boards must review LACERA's Code this year. Staff recommends that LACERA's Code be revised to update the positions subject to the Code, adjust disclosure categories for certain positions based on the decisions they may be able to influence, and bring the Code into compliance with recent developments in the law. The revised Code will not go into effect until approved by the Board of Supervisors.

BACKGROUND

California law requires that every local agency adopt a Conflict of Interest Code identifying positions required to file a Statement of Economic Interests (Form 700) and stating the disclosure categories for each position. The Code applies to positions "which involve the making or participation in the making of decisions which may foreseeably have a material effect on any financial interest," except positions which manage public investments. Cal Gov't Code §87302(a).

Positions managing public investments must file a Statement of Economic Interests under Government Code section 87200, and therefore their disclosures do not need to be addressed in the Conflict of Interest Code.

Each Member, Board of Investments and Board of Retirement

August 30, 2016

Re: Biennial Review of Conflict of Interest Code, and Adoption of Revised Code

Page 2

Persons who file under an agency-adopted Conflict of Interest Code are referred to as “Code Filers,” and persons who file under Section 87200 are referred to as “87200 Filers.”

LACERA’s Conflict of Interest Code has four parts:

1. **Introductory page**, which incorporates FPPC Regulation 18730. Regulation 18730 contains the terms of a standard conflict of interest code as prescribed by the FPPC. Regulation 18730 is attached as Exhibit 2 to this memo; it provides a great deal of relevant information concerning disclosures, disqualification, and penalties for violation. The regulation provides that it may be incorporated by reference into the Code and need not be repeated in full in the Code. The introductory page of the Code also identifies the place of filing and retention of Statements of Economic Interests.
2. **Exhibit “A,”** which lists and defines the disclosure categories. The disclosure categories summarize the information that must be disclosed by persons subject to each category. The disclosure categories are tailored to the specific categories of interests that are relevant to LACERA. LACERA has seven (7) disclosure categories.
3. **Exhibit “B,”** which lists all designated positions subject to the Conflict of Interest Code and the disclosure categories that apply to each position.
4. **Appendix**, which lists those officials who are 87200 Filers. The Board of Investments, CEO, CIO, Principal Investment Officers, and Chief Counsel are 87200 Filers, and as such are not subject to the Conflict of Interest Code. The Appendix is included in the Code as an informational matter.

Once approved by the local agency, the Code must be submitted to the agency’s code reviewing body, which in LACERA’s case is the Board of Supervisors. The Code is not effective until approved by the code reviewing body.

DISCUSSION

Staff reviewed LACERA’s current Conflict of Interest Code and determined that the Code should be updated. The current Code was also reviewed by Board of Supervisors staff, who recommended certain changes.

The revised Conflict of Interest Code is attached as Exhibit 1. The changes recommended by LACERA staff are redlined or bolded in red, and the changes

recommended by Board of Supervisors staff are blacklined or bolded in black. The changes fall into three general categories:

1. **Changes in position titles.** Changes were made to: make title changes of certain positions; delete positions that are not being used (and do not expect to be used during the next two (2) years); and add new positions.
2. **Changes to disclosure categories.** The disclosure categories for each position were reviewed on a position-by-position basis. It was determined that changes were required with respect to certain positions based on the types of decisions made or influenced by the holders of those positions. For example, the Members of the Board of Retirement were previously subject to Disclosure Category 7, which just concerns contact with members having disability applications pending before the Board; however, in that the Board considers matters having to do with *all* members, the correct disclosure category is 5, which concerns contact with all members.
3. **Changes in the law.** Revisions were made throughout the Conflict of Interest Code to bring it up to date with changes in the law during the past two years. For example: the revisions clarify throughout that “income” includes “gifts, loans and travel payments;” the revisions provide that a personal residence need not be disclosed except that a residence in which a room is rented or for which a business deduction is taken may be reportable; and the treatment of consultants is updated to provide for written determination by the Chief Executive Officer of disclosures required of consultants.

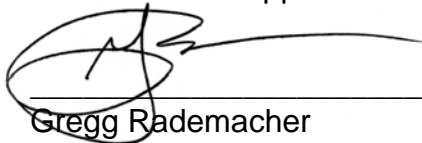
CONCLUSION AND RECOMMENDATION

For the reasons set forth above, **IT IS RECOMMENDED** that the Boards:

1. Adopt the revised Conflict of Interest Code; and
2. Authorize staff to file the revised Code with the County of Los Angeles Board of Supervisors, which is the code reviewing authority.

Attachments

Reviewed and Approved



Gregg Rademacher
Chief Executive Officer

Each Member, Board of Investments and Board of Retirement

August 30, 2016

Re: Biennial Review of Conflict of Interest Code, and Adoption of Revised Code

Page 4

c: Gregg Rademacher

Robert Hill

John Popowich

All Division Managers

Rosalind White

Donna Hansen

Exhibit 1
Revised Conflict of Interest Code

Conflict of Interest Code
of the

**LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION
(LACERA)**

Incorporation of FPPC Regulation 18730 (2 California Code of Regulations, Section
18730) by Reference

The Political Reform Act (Government Code Section 81000, *et seq.*) requires state and local government agencies to adopt and promulgate conflict of interest codes. The Fair Political Practices Commission has adopted a regulation (2 Cal. Code of Regs. 18730), which contains the terms of a standard conflict of interest code. After public notice and hearing, it may be amended by the Fair Political Practices Commission to conform to amendments in the Political Reform Act. Therefore, the terms of 2 California Code of Regulations Section 18730, and any amendments to it duly adopted by the Fair Political Practices Commission, are hereby incorporated into the conflict of interest code of this agency by reference. This regulation and the attached [Exhibits and Appendixes \(or Exhibits\)](#) designating officials and employees and establishing economic disclosure categories shall constitute the conflict of interest code of this ~~agency~~ [Los Angeles County Employees Retirement Association \(LACERA\)](#).

Place of Filing of Statements of Economic Interests

All officials and employees required [by this Conflict of Interest Code](#) to submit a statement of economic interests shall file their statements with ~~the agency head;~~ [LACERA's Chief Executive Officer,](#) or his or her designee. ~~The agency~~

[LACERA](#) shall make and retain a copy of all statements filed by its Board Members, Alternate Board Members, as appropriate, and its Chief Executive Officer and forward the originals of such statements to the Executive Office of the Board of Supervisors of Los Angeles County.

~~The agency~~[LACERA](#) shall retain the originals of statements for all other Designated Positions named in ~~this agency's e~~[Conflict of Interest e](#)Code and for: Chief Counsel, LACERA; Chief Investment ~~e~~[O](#)fficer, LACERA; and Principal Investment Officer, LACERA. All retained statements, original or copied, shall be available for public inspection and reproduction (Gov. Code Section 81008).

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

EXHIBIT "A" - DISCLOSURE CATEGORIES

CATEGORY 1

Persons in this category shall disclose all interest in real property within the jurisdiction that would be suitable for housing all or part of LACERA's operations and all real property within two miles of that property. Real property shall be deemed to be within the jurisdiction if the property or any part of it is located within or not more than two miles outside the boundaries of the County of Los Angeles or within two miles of any land used to conduct LACERA's operations.

~~Persons are not required to disclose property used primarily as their residence or for personal recreational purposes.~~

Persons are not required to disclose a residence, such as a home or vacation cabin, used exclusively as a personal residence; however, a residence in which a person rents out a room or for which a person claims a business deduction may be reportable.

CATEGORY 2

Persons in this category shall disclose all investments and business positions in, and all income **(including gifts, loans and travel payments)** received from, business entities that are the type utilized by LACERA.

CATEGORY 3

Persons in this category shall disclose all business positions and investments in business entities that are the type in which LACERA's trust funds may be invested (include securities, real estate and business entities), all income **(including gifts, loans and travel payments)** from such business entities, and all interests in real estate co-owned with or purchased from such business entities.

CATEGORY 4

Persons in this category shall disclose all business positions, investments in, or income ~~(including gifts and loans)~~ **(including gifts, loans and travel payments)** received from business entities that manufacture, provide or sell service and/or supplies of a type utilized by LACERA and associated with the job assignment of designated positions assigned to this disclosure category.

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

EXHIBIT "A" (Continued)

CATEGORY 5

Persons in this category shall disclose all income **(including gifts, loans and travel payments)** from, investments in and business positions with any member of LACERA, any agent or employee association representing any such member, and business positions with, investments in or income **(including gifts, loans and travel payments)** from any entity owned or controlled by any such member or any such member's spouse or other financial dependent.

CATEGORY 6

Individuals who perform under contract the duties of any designated position shall be required to file Statements of Economic Interests disclosing reportable interest in the categories assigned to that designated position.

| In addition, individuals who, under contract, participate in decisions which affect financial interests by providing information, advice, recommendation or counsel to LACERA which could affect a financial interest of the individual shall be required to file Statements of Economic Interests, unless they fall within the Political Reform Act's exceptions to the definition of consultant. The level of disclosure shall be as determined by LACERA's Chief Executive Officer **or his or her designee. (See footnote in Exhibit "B" for clarification.)**

| CATEGORY 7

Persons in this category shall disclose all income ~~(including gifts and loans)~~ **(including gifts, loans and travel payments)** received from any LACERA member, or agent of any such LACERA member, with a disability retirement application before the Board of Retirement (during the reporting period) and all business positions with, investments in, or income **(including gifts, loans and travel payments)** received, from any entity owned or controlled by any such member.

PROPOSED CODE

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

EXHIBIT “B” – DISCLOSURES BY DESIGNATED POSITIONS

The Designated Positions listed below must file a statement of economic interests with respect to the indicated Disclosure Categories:

Designated Positions

Disclosure Categories

Board of Retirement:

First Member (County Treasurer <u>and Tax Collector</u>)	1, 2, 57	<u>Title</u> <u>Change,</u> <u>Disclosure</u>
Second Member (Elected General Member)	1, 2, 57	<u>Disclosure</u>
Third Member (Elected General Member)	1, 2, 57	<u>Disclosure</u>
Fourth Member (Appointed by Board of Supervisors) (was) Fourth Member (Elected Safety Member)	1, 2, 57	<u>Disclosure,</u> <u>Title</u> <u>Change</u>
Fifth Member (Appointed by Board of Supervisors)	1, 2, 57	<u>Disclosure</u>
Sixth Member (Appointed by Board of Supervisors)	1, 2, 57	<u>Disclosure</u>
Seventh Member (Elected Safety Member) (was) Seventh Member (Appointed by Board of Supervisors)	1, 2, 57	<u>Disclosure,</u> <u>Title</u> <u>Change</u>
Eighth Member (Elected Retired Member)	1, 2, 57	<u>Disclosure</u>
Ninth Member (Appointed by Board of Supervisors)	1, 2, 57	<u>Disclosure</u>
Alternate Safety Member (Elected by Safety Members)	1, 2, 57	<u>Disclosure</u>
Alternate Retired Member (Elected by Retired Members)	1, 2, 57	<u>Disclosure</u>

Retirement Administration:

Assistant Executive Officer, LACERA, Unclassified	1, 2, 3, 5	Add
Assistant Executive Officer, LACERA	1, 2, 3, 5	<u>Disclosure</u>
Senior Staff Counsel, LACERA	1, 2, 3, 5	<u>Disclosure</u>
Associate Staff Counsel, LACERA	1, 2, 3	Delete
Staff Counsel, LACERA	1, 2, 3, 5	<u>Disclosure</u>
Chief Counsel, LACERA (Disability Litigation Section)	4, 57	<u>Disclosure</u>
Senior Staff Counsel, LACERA(Disability Litigation Section)	57	<u>Disclosure</u>
Staff Counsel, LACERA (Disability Litigation Section)	5	Delete
Associate Staff Counsel, LACERA(Disability Litigation Section)	5	Delete
Senior Investment Officer, LACERA	1, 2, 3	
Finance Analyst III, LACERA	1, 2, 3	
Finance Analyst II, LACERA	1, 2, 3	
Chief, Internal Audit, LACERA	4, 5	
Division Manager, LACERA	4, 5	<u>Disclosure</u>

	<u>PROPOSED CODE</u>
Assistant Division Manager, LACERA	4.5 Disclosure
Director, Human Resources, LACERA	4
Administrative Services Officer, LACERA	4.5 Disclosure
Disability Retirement Specialist Supervisor	4.7 Disclosure

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

EXHIBIT “B” (Continued)

<u>Designated Positions</u>	<u>Disclosure Categories</u>
Senior Procurement & Supply Clerk, LACERA	4 Delete
Procurement & Supply Clerk, LACERA	4 Delete
Contract Analyst, LACERA	4
Special Assistant, LACERA	4
Creative Coordinator, LACERA	4
Chief, Communications, LACERA	4
Director, Retiree Health, LACERA	4.5 Disclosure
Principal Internal Auditor, LACERA	4.5 Disclosure
Chief, Quality Assurance and Metrics, LACERA	4.5 Disclosure
Section Head, LACERA	4.5 Disclosure
Information Systems Manager, LACERA	4.5 Disclosure
Assistant Information Systems Manager, LACERA	4
Consultants/ New Positions*	6 Add

***Consultants/New Positions** are included in the list of designated positions and shall disclose pursuant to the broadest disclosure category in ~~the~~ [this](#) code, subject to the following limitations:

The Chief Executive Officer or his or her designee may determine in writing that a particular consultant or new position, although a “designated position,” is hired to perform a range of duties that is limited in scope and thus is not required to fully comply with disclosure requirements in this section. Such written determination shall include a description of the consultant’s or new position’s duties and, based upon that description, a statement of the extent of disclosure requirements. The Chief Executive Officer or his or her designee’s determination is a public record and shall be retained for public inspection in the same manner and location as this conflict-of-interest code. (Gov. Code Section 81008.)

PROPOSED CODE

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

APPENDIX - 87200 FILERS

Officials Who Manage Public Investments:

~~It has been determined that the positions listed below manage public investments and must make disclosure pursuant to Government Code Section 87200, et. seq.~~

The following positions are not covered by the code because they must file under Government Code Section 87200 and, therefore, are listed for informational purposes only.

Board of Investments:

First Member (County Treasurer <u>and Tax Collector</u>)	<u>Title</u> <u>Change</u>
Second Member (Elected General Member)	
Third Member (Elected General Member)	
Fourth Member (Elected Safety Member)	
Fifth Member (Appointed by Board of Supervisors)	
Sixth Member (Appointed by Board of Supervisors)	
Seventh Member (Appointed by Board of Supervisors)	
Eighth Member (Elected Retired Member)	
Ninth Member (Appointed by Board of Supervisors)	
Chief Executive Officer, LACERA	
Chief Executive Officer, LACERA, Unclassified	Add
Chief Counsel, LACERA	
Chief Investment Officer, LACERA, Unclassified	Title
(was) Chief Investment Officer, LACERA	Change
Principal Investment Officer, LACERA, Unclassified	Add
Principal Investment Officer, LACERA	

Employees of LACERA's independent Contractors and Consultants who perform the same or substantially all the same functions as LACERA's Chief Investment Officer.

Adopted: Board of Retirement, September , 2016
Board of Investments, September , 2016

EFFECTIVE DATE:

Exhibit 2
FPPC Regulation 18730

(Regulations of the Fair Political Practices Commission, Title 2, Division 6, California Code of Regulations.)

§ 18730. Provisions of Conflict of Interest Codes.

(a) Incorporation by reference of the terms of this regulation along with the designation of employees and the formulation of disclosure categories in the Appendix referred to below constitute the adoption and promulgation of a conflict of interest code within the meaning of Section 87300 or the amendment of a conflict of interest code within the meaning of Section 87306 if the terms of this regulation are substituted for terms of a conflict of interest code already in effect. A code so amended or adopted and promulgated requires the reporting of reportable items in a manner substantially equivalent to the requirements of article 2 of chapter 7 of the Political Reform Act, Sections 81000, et seq . The requirements of a conflict of interest code are in addition to other requirements of the Political Reform Act, such as the general prohibition against conflicts of interest contained in Section 87100, and to other state or local laws pertaining to conflicts of interest.

(b) The terms of a conflict of interest code amended or adopted and promulgated pursuant to this regulation are as follows:

(1) Section 1. Definitions.

The definitions contained in the Political Reform Act of 1974, regulations of the Fair Political Practices Commission (Regulations 18110, et seq.), and any amendments to the Act or regulations, are incorporated by reference into this conflict of interest code.

(2) Section 2. Designated Employees.

The persons holding positions listed in the Appendix are designated employees. It has been determined that these persons make or participate in the making of decisions which may foreseeably have a material effect on economic interests.

(3) Section 3. Disclosure Categories.

This code does not establish any disclosure obligation for those designated employees who are also specified in Section 87200 if they are designated in this code in that same capacity or if the geographical jurisdiction of this agency is the same as or is wholly included within the jurisdiction in which those persons must report their economic interests pursuant to article 2 of chapter 7 of the Political Reform Act, Sections 87200, et seq .

In addition, this code does not establish any disclosure obligation for any designated employees who are designated in a conflict of interest code for another agency, if all of the following apply:

(A) The geographical jurisdiction of this agency is the same as or is wholly included within the jurisdiction of the other agency;

(B) The disclosure assigned in the code of the other agency is the same as that required under article 2 of chapter 7 of the Political Reform Act, Section 87200; and

(C) The filing officer is the same for both agencies.¹

Such persons are covered by this code for disqualification purposes only. With respect to all other designated employees, the disclosure categories set forth in the Appendix specify which kinds of economic interests are reportable. Such a designated employee shall disclose in his or her statement of economic interests those economic interests he or she has which are of the kind described in the disclosure categories to which he or she is assigned in the Appendix. It has been determined that the economic interests set forth in a designated employee's disclosure categories

are the kinds of economic interests which he or she foreseeably can affect materially through the conduct of his or her office.

(4) Section 4. Statements of Economic Interests: Place of Filing.

The code reviewing body shall instruct all designated employees within its code to file statements of economic interests with the agency or with the code reviewing body, as provided by the code reviewing body in the agency's conflict of interest code. ²

(5) Section 5. Statements of Economic Interests: Time of Filing.

(A) Initial Statements. All designated employees employed by the agency on the effective date of this code, as originally adopted, promulgated and approved by the code reviewing body, shall file statements within 30 days after the effective date of this code. Thereafter, each person already in a position when it is designated by an amendment to this code shall file an initial statement within 30 days after the effective date of the amendment.

(B) Assuming Office Statements. All persons assuming designated positions after the effective date of this code shall file statements within 30 days after assuming the designated positions, or if subject to State Senate confirmation, 30 days after being nominated or appointed.

(C) Annual Statements. All designated employees shall file statements no later than April 1. If a person reports for military service as defined in the Servicemember's Civil Relief Act, the deadline for the annual statement of economic interests is 30 days following his or her return to office, provided the person, or someone authorized to represent the person's interests, notifies the filing officer in writing prior to the applicable filing deadline that he or she is subject to that federal statute and is unable to meet the applicable deadline, and provides the filing officer verification of his or her military status.

(D) Leaving Office Statements. All persons who leave designated positions shall file statements within 30 days after leaving office.

(5.5) Section 5.5. Statements for Persons Who Resign Prior to Assuming Office.

Any person who resigns within 12 months of initial appointment, or within 30 days of the date of notice provided by the filing officer to file an assuming office statement, is not deemed to have assumed office or left office, provided he or she did not make or participate in the making of, or use his or her position to influence any decision and did not receive or become entitled to receive any form of payment as a result of his or her appointment. Such persons shall not file either an assuming or leaving office statement.

(A) Any person who resigns a position within 30 days of the date of a notice from the filing officer shall do both of the following:

(1) File a written resignation with the appointing power; and

(2) File a written statement with the filing officer declaring under penalty of perjury that during the period between appointment and resignation he or she did not make, participate in the making, or use the position to influence any decision of the agency or receive, or become entitled to receive, any form of payment by virtue of being appointed to the position.

(6) Section 6. Contents of and Period Covered by Statements of Economic Interests.

(A) Contents of Initial Statements.

Initial statements shall disclose any reportable investments, interests in real property and business positions held on the effective date of the code and income received during the 12 months prior to the effective date of the code.

(B) Contents of Assuming Office Statements.

Assuming office statements shall disclose any reportable investments, interests in real property and business positions held on the date of assuming office or, if subject to State Senate confirmation or appointment, on the date of nomination, and income received during the 12 months prior to the date of assuming office or the date of being appointed or nominated, respectively.

(C) Contents of Annual Statements. Annual statements shall disclose any reportable investments, interests in real property, income and business positions held or received during the previous calendar year provided, however, that the period covered by an employee's first annual statement shall begin on the effective date of the code or the date of assuming office whichever is later, or for a board or commission member subject to Section 87302.6, the day after the closing date of the most recent statement filed by the member pursuant to Regulation 18754.

(D) Contents of Leaving Office Statements.

Leaving office statements shall disclose reportable investments, interests in real property, income and business positions held or received during the period between the closing date of the last statement filed and the date of leaving office.

(7) Section 7. Manner of Reporting.

Statements of economic interests shall be made on forms prescribed by the Fair Political Practices Commission and supplied by the agency, and shall contain the following information:

(A) Investment and Real Property Disclosure.

When an investment or an interest in real property³ is required to be reported,⁴ the statement shall contain the following:

1. A statement of the nature of the investment or interest;

2. The name of the business entity in which each investment is held, and a general description of the business activity in which the business entity is engaged;
3. The address or other precise location of the real property;
4. A statement whether the fair market value of the investment or interest in real property equals or exceeds \$2,000, exceeds \$10,000, exceeds \$100,000, or exceeds \$1,000,000.

(B) Personal Income Disclosure. When personal income is required to be reported,⁵ the statement shall contain:

1. The name and address of each source of income aggregating \$500 or more in value, or \$50 or more in value if the income was a gift, and a general description of the business activity, if any, of each source;
2. A statement whether the aggregate value of income from each source, or in the case of a loan, the highest amount owed to each source, was \$1,000 or less, greater than \$1,000, greater than \$10,000, or greater than \$100,000;
3. A description of the consideration, if any, for which the income was received;
4. In the case of a gift, the name, address and business activity of the donor and any intermediary through which the gift was made; a description of the gift; the amount or value of the gift; and the date on which the gift was received;
5. In the case of a loan, the annual interest rate and the security, if any, given for the loan and the term of the loan.

(C) Business Entity Income Disclosure. When income of a business entity, including income of a sole proprietorship, is required to be reported,⁶ the statement shall contain:

1. The name, address, and a general description of the business activity of the business entity;

2. The name of every person from whom the business entity received payments if the filer's pro rata share of gross receipts from such person was equal to or greater than \$10,000.

(D) Business Position Disclosure. When business positions are required to be reported, a designated employee shall list the name and address of each business entity in which he or she is a director, officer, partner, trustee, employee, or in which he or she holds any position of management, a description of the business activity in which the business entity is engaged, and the designated employee's position with the business entity.

(E) Acquisition or Disposal During Reporting Period. In the case of an annual or leaving office statement, if an investment or an interest in real property was partially or wholly acquired or disposed of during the period covered by the statement, the statement shall contain the date of acquisition or disposal.

(8) Section 8. Prohibition on Receipt of Honoraria.

(A) No member of a state board or commission, and no designated employee of a state or local government agency, shall accept any honorarium from any source, if the member or employee would be required to report the receipt of income or gifts from that source on his or her statement of economic interests. This section shall not apply to any part-time member of the governing board of any public institution of higher education, unless the member is also an elected official.

Subdivisions (a), (b), and (c) of Section 89501 shall apply to the prohibitions in this section.

This section shall not limit or prohibit payments, advances, or reimbursements for travel and related lodging and subsistence authorized by Section 89506.

(8.1) Section 8.1. Prohibition on Receipt of Gifts in Excess of \$460.

(A) No member of a state board or commission, and no designated employee of a state or local government agency, shall accept gifts with a total value of more than \$460 in a calendar year from any single source, if the member or employee would be required to report the receipt of income or gifts from that source on his or her statement of economic interests. This section shall not apply to any part-time member of the governing board of any public institution of higher education, unless the member is also an elected official.

Subdivisions (e), (f), and (g) of Section 89503 shall apply to the prohibitions in this section.

(8.2) Section 8.2. Loans to Public Officials.

(A) No elected officer of a state or local government agency shall, from the date of his or her election to office through the date that he or she vacates office, receive a personal loan from any officer, employee, member, or consultant of the state or local government agency in which the elected officer holds office or over which the elected officer's agency has direction and control.

(B) No public official who is exempt from the state civil service system pursuant to subdivisions (c), (d), (e), (f), and (g) of Section 4 of Article VII of the Constitution shall, while he or she holds office, receive a personal loan from any officer, employee, member, or consultant of the state or local government agency in which the public official holds office or over which the public official's agency has direction and control. This subdivision shall not apply to loans made to a public official whose duties are solely secretarial, clerical, or manual.

(C) No elected officer of a state or local government agency shall, from the date of his or her election to office through the date that he or she vacates office, receive a personal loan from any person who has a contract with the state or local government agency to which that elected

officer has been elected or over which that elected officer's agency has direction and control.

This subdivision shall not apply to loans made by banks or other financial institutions or to any indebtedness created as part of a retail installment or credit card transaction, if the loan is made or the indebtedness created in the lender's regular course of business on terms available to members of the public without regard to the elected officer's official status.

(D) No public official who is exempt from the state civil service system pursuant to subdivisions (c), (d), (e), (f), and (g) of Section 4 of Article VII of the Constitution shall, while he or she holds office, receive a personal loan from any person who has a contract with the state or local government agency to which that elected officer has been elected or over which that elected officer's agency has direction and control. This subdivision shall not apply to loans made by banks or other financial institutions or to any indebtedness created as part of a retail installment or credit card transaction, if the loan is made or the indebtedness created in the lender's regular course of business on terms available to members of the public without regard to the elected officer's official status. This subdivision shall not apply to loans made to a public official whose duties are solely secretarial, clerical, or manual.

(E) This section shall not apply to the following:

1. Loans made to the campaign committee of an elected officer or candidate for elective office.

2. Loans made by a public official's spouse, child, parent, grandparent, grandchild, brother, sister, parent-in-law, brother-in-law, sister-in-law, nephew, niece, aunt, uncle, or first cousin, or the spouse of any such persons, provided that the person making the loan is not acting as an agent or intermediary for any person not otherwise exempted under this section.

3. Loans from a person which, in the aggregate, do not exceed \$500 at any given time.

4. Loans made, or offered in writing, before January 1, 1998.

(8.3) Section 8.3. Loan Terms.

(A) Except as set forth in subdivision (B), no elected officer of a state or local government agency shall, from the date of his or her election to office through the date he or she vacates office, receive a personal loan of \$500 or more, except when the loan is in writing and clearly states the terms of the loan, including the parties to the loan agreement, date of the loan, amount of the loan, term of the loan, date or dates when payments shall be due on the loan and the amount of the payments, and the rate of interest paid on the loan.

(B) This section shall not apply to the following types of loans:

1. Loans made to the campaign committee of the elected officer.

2. Loans made to the elected officer by his or her spouse, child, parent, grandparent, grandchild, brother, sister, parent-in-law, brother-in-law, sister-in-law, nephew, niece, aunt, uncle, or first cousin, or the spouse of any such person, provided that the person making the loan is not acting as an agent or intermediary for any person not otherwise exempted under this section.

3. Loans made, or offered in writing, before January 1, 1998.

(C) Nothing in this section shall exempt any person from any other provision of Title 9 of the Government Code.

(8.4) Section 8.4. Personal Loans.

(A) Except as set forth in subdivision (B), a personal loan received by any designated employee shall become a gift to the designated employee for the purposes of this section in the following circumstances:

1. If the loan has a defined date or dates for repayment, when the statute of limitations for filing an action for default has expired.

2. If the loan has no defined date or dates for repayment, when one year has elapsed from the later of the following:

a. The date the loan was made.

b. The date the last payment of \$100 or more was made on the loan.

c. The date upon which the debtor has made payments on the loan aggregating to less than \$250 during the previous 12 months.

(B) This section shall not apply to the following types of loans:

1. A loan made to the campaign committee of an elected officer or a candidate for elective office.

2. A loan that would otherwise not be a gift as defined in this title.

3. A loan that would otherwise be a gift as set forth under subdivision (A), but on which the creditor has taken reasonable action to collect the balance due.

4. A loan that would otherwise be a gift as set forth under subdivision (A), but on which the creditor, based on reasonable business considerations, has not undertaken collection action.

Except in a criminal action, a creditor who claims that a loan is not a gift on the basis of this paragraph has the burden of proving that the decision for not taking collection action was based on reasonable business considerations.

5. A loan made to a debtor who has filed for bankruptcy and the loan is ultimately discharged in bankruptcy.

(C) Nothing in this section shall exempt any person from any other provisions of Title 9 of the Government Code.

(9) Section 9. Disqualification.

No designated employee shall make, participate in making, or in any way attempt to use his or her official position to influence the making of any governmental decision which he or she knows or has reason to know will have a reasonably foreseeable material financial effect, distinguishable from its effect on the public generally, on the official or a member of his or her immediate family or on:

(A) Any business entity in which the designated employee has a direct or indirect investment worth \$2,000 or more;

(B) Any real property in which the designated employee has a direct or indirect interest worth \$2,000 or more;

(C) Any source of income, other than gifts and other than loans by a commercial lending institution in the regular course of business on terms available to the public without regard to official status, aggregating \$500 or more in value provided to, received by or promised to the designated employee within 12 months prior to the time when the decision is made;

(D) Any business entity in which the designated employee is a director, officer, partner, trustee, employee, or holds any position of management; or

(E) Any donor of, or any intermediary or agent for a donor of, a gift or gifts aggregating \$460 or more provided to, received by, or promised to the designated employee within 12 months prior to the time when the decision is made.

(9.3) Section 9.3. Legally Required Participation.

No designated employee shall be prevented from making or participating in the making of any decision to the extent his or her participation is legally required for the decision to be

made. The fact that the vote of a designated employee who is on a voting body is needed to break a tie does not make his or her participation legally required for purposes of this section.

(9.5) Section 9.5. Disqualification of State Officers and Employees.

In addition to the general disqualification provisions of section 9, no state administrative official shall make, participate in making, or use his or her official position to influence any governmental decision directly relating to any contract where the state administrative official knows or has reason to know that any party to the contract is a person with whom the state administrative official, or any member of his or her immediate family has, within 12 months prior to the time when the official action is to be taken:

(A) Engaged in a business transaction or transactions on terms not available to members of the public, regarding any investment or interest in real property; or

(B) Engaged in a business transaction or transactions on terms not available to members of the public regarding the rendering of goods or services totaling in value \$1,000 or more.

(10) Section 10. Disclosure of Disqualifying Interest.

When a designated employee determines that he or she should not make a governmental decision because he or she has a disqualifying interest in it, the determination not to act may be accompanied by disclosure of the disqualifying interest.

(11) Section 11. Assistance of the Commission and Counsel.

Any designated employee who is unsure of his or her duties under this code may request assistance from the Fair Political Practices Commission pursuant to Section 83114 and Regulations 18329 and 18329.5 or from the attorney for his or her agency, provided that nothing in this section requires the attorney for the agency to issue any formal or informal opinion.

(12) Section 12. Violations.

This code has the force and effect of law. Designated employees violating any provision of this code are subject to the administrative, criminal and civil sanctions provided in the Political Reform Act, Sections 81000-91014. In addition, a decision in relation to which a violation of the disqualification provisions of this code or of Section 87100 or 87450 has occurred may be set aside as void pursuant to Section 91003.

¹ Designated employees who are required to file statements of economic interests under any other agency's conflict of interest code, or under article 2 for a different jurisdiction, may expand their statement of economic interests to cover reportable interests in both jurisdictions, and file copies of this expanded statement with both entities in lieu of filing separate and distinct statements, provided that each copy of such expanded statement filed in place of an original is signed and verified by the designated employee as if it were an original. See Section 81004.

² See Section 81010 and Regulation 18115 for the duties of filing officers and persons in agencies who make and retain copies of statements and forward the originals to the filing officer.

³ For the purpose of disclosure only (not disqualification), an interest in real property does not include the principal residence of the filer.

⁴ Investments and interests in real property which have a fair market value of less than \$2,000 are not investments and interests in real property within the meaning of the Political Reform Act. However, investments or interests in real property of an individual include those held by the individual's spouse and dependent children as well as a pro rata share of any investment or interest in real property of any business entity or trust in which the individual, spouse and

dependent children own, in the aggregate, a direct, indirect or beneficial interest of 10 percent or greater.

⁵ A designated employee's income includes his or her community property interest in the income of his or her spouse but does not include salary or reimbursement for expenses received from a state, local or federal government agency.

⁶ Income of a business entity is reportable if the direct, indirect or beneficial interest of the filer and the filer's spouse in the business entity aggregates a 10 percent or greater interest. In addition, the disclosure of persons who are clients or customers of a business entity is required only if the clients or customers are within one of the disclosure categories of the filer.

Note: Authority cited: Section 83112, Government Code. Reference: Sections 87103(e), 87300-87302, 89501, 89502 and 89503, Government Code.

HISTORY

1. New section filed 4-2-80 as an emergency; effective upon filing (Register 80, No. 14).
Certificate of Compliance included.
 2. Editorial correction (Register 80, No. 29).
 3. Amendment of subsection (b) filed 1-9-81; effective thirtieth day thereafter (Register 81, No. 2).
 4. Amendment of subsection (b)(7)(B)1. filed 1-26-83; effective thirtieth day thereafter (Register 83, No. 5).
 5. Amendment of subsection (b)(7)(A) filed 11-10-83; effective thirtieth day thereafter (Register 83, No. 46).
 6. Amendment filed 4-13-87; operative 5-13-87 (Register 87, No. 16).
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7. Amendment of subsection (b) filed 10-21-88; operative 11-20-88 (Register 88, No. 46).
8. Amendment of subsections (b)(8)(A) and (b)(8)(B) and numerous editorial changes filed 8-28-90; operative 9-27-90 (Reg. 90, No. 42).
9. Amendment of subsections (b)(3), (b)(8) and renumbering of following subsections and amendment of Note filed 8-7-92; operative 9-7-92 (Register 92, No. 32).
10. Amendment of subsection (b)(5.5) and new subsections (b)(5.5)(A)-(A)(2) filed 2-4-93; operative 2-4-93 (Register 93, No. 6).
11. Change without regulatory effect adopting Conflict of Interest Code for California Mental Health Planning Council filed 11-22-93 pursuant to title 1, section 100, California Code of Regulations (Register 93, No. 48). Approved by Fair Political Practices Commission 9-21-93.
12. Change without regulatory effect redesignating Conflict of Interest Code for California Mental Health Planning Council as chapter 62, section 55100 filed 1-4-94 pursuant to title 1, section 100, California Code of Regulations (Register 94, No. 1).
13. Editorial correction adding History 11 and 12 and deleting duplicate section number (Register 94, No. 17).
14. Amendment of subsection (b)(8), designation of subsection (b)(8)(A), new subsection (b)(8)(B), and amendment of subsections (b)(8.1)-(b)(8.1)(B), (b)(9)(E) and Note filed 3-14-95; operative 3-14-95 pursuant to Government Code section 11343.4(d) (Register 95, No. 11).
15. Editorial correction inserting inadvertently omitted language in footnote 4 (Register 96, No. 13).

16. Amendment of subsections (b)(8)(A)-(B) and (b)(8.1)(A), repealer of subsection (b)(8.1)(B), and amendment of subsection (b)(12) filed 10-23-96; operative 10-23-96 pursuant to Government Code section 11343.4(d) (Register 96, No. 43).
17. Amendment of subsections (b)(8.1) and (9)(E) filed 4-9-97; operative 4-9-97 pursuant to Government Code section 11343.4(d) (Register 97, No. 15).
18. Amendment of subsections (b)(7)(B)5., new subsections (b)(8.2)-(b)(8.4)(C) and amendment of Note filed 8-24-98; operative 8-24-98 pursuant to Government Code section 11343.4(d) (Register 98, No. 35).
19. Editorial correction of subsection (a) (Register 98, No. 47).
20. Amendment of subsections (b)(8.1), (b)(8.1)(A) and (b)(9)(E) filed 5-11-99; operative 5-11-99 pursuant to Government Code section 11343.4(d) (Register 99, No. 20).
21. Amendment of subsections (b)(8.1)-(b)(8.1)(A) and (b)(9)(E) filed 12-6-2000; operative 1-1-2001 pursuant to the 1974 version of Government Code section 11380.2 and Title 2, California Code of Regulations, section 18312(d) and (e) (Register 2000, No. 49).
22. Amendment of subsections (b)(3) and (b)(10) filed 1-10-2001; operative 2-1-2001. Submitted to OAL for filing pursuant to *Fair Political Practices Commission v. Office of Administrative Law*, 3 Civil C010924, California Court of Appeal, Third Appellate District, nonpublished decision, April 27, 1992 (FPPC regulations only subject to 1974 Administrative Procedure Act rulemaking requirements) (Register 2001, No. 2).
23. Amendment of subsections (b)(7)(A)4., (b)(7)(B)1.-2., (b)(8.2)(E)3., (b)(9)(A)-(C) and footnote 4. filed 2-13-2001. Submitted to OAL for filing pursuant to *Fair Political Practices Commission v. Office of Administrative Law*, 3 Civil C010924, California Court of Appeal, Third

Appellate District, nonpublished decision, April 27, 1992 (FPPC regulations only subject to 1974 Administrative Procedure Act rulemaking requirements) (Register 2001, No. 7).

24. Amendment of subsections (b)(8.1)-(b)(8.1)(A) filed 1-16-2003; operative 1-1-2003.

Submitted to OAL for filing pursuant to *Fair Political Practices Commission v. Office of Administrative Law*, 3 Civil C010924, California Court of Appeal, Third Appellate District, nonpublished decision, April 27, 1992 (FPPC regulations only subject to 1974 Administrative Procedure Act rulemaking requirements) (Register 2003, No. 3).

25. Editorial correction of History 24 (Register 2003, No. 12).

26. Editorial correction removing extraneous phrase in subsection (b)(9.5)(B) (Register 2004, No. 33).

27. Amendment of subsections (b)(2)-(3), (b)(3)(C), (b)(6)(C), (b)(8.1)-(b)(8.1)(A), (b)(9)(E) and (b)(11)-(12) filed 1-4-2005; operative 1-1-2005 pursuant to Government Code section 11343.4 (Register 2005, No. 1).

28. Amendment of subsection (b)(7)(A)4. filed 10-11-2005; operative 11-10-2005 (Register 2005, No. 41).

29. Amendment of subsections (a), (b)(1), (b)(3), (b)(8.1), (b)(8.1)(A) and (b)(9)(E) filed 12-18-2006; operative 1-1-2007. Submitted to OAL pursuant to *Fair Political Practices Commission v. Office of Administrative Law*, 3 Civil C010924, California Court of Appeal, Third Appellate District, nonpublished decision, April 27, 1992 (FPPC regulations only subject to 1974 Administrative Procedure Act rulemaking requirements) (Register 2006, No. 51).

30. Amendment of subsections (b)(8.1)-(b)(8.1)(A) and (b)(9)(E) filed 10-31-2008; operative 11-30-2008. Submitted to OAL for filing pursuant to *Fair Political Practices Commission v. Office of Administrative Law*, 3 Civil C010924, California Court of Appeal, Third Appellate

District, nonpublished decision, April 27, 1992 (FPPC regulations only subject to 1974 Administrative Procedure Act rulemaking requirements and not subject to procedural or substantive review by OAL) (Register 2008, No. 44).

31. Amendment of section heading and section filed 11-15-2010; operative 12-15-2010.

Submitted to OAL for filing pursuant to *Fair Political Practices Commission v. Office of Administrative Law*, 3 Civil C010924, California Court of Appeal, Third Appellate District, nonpublished decision, April 27, 1992 (FPPC regulations only subject to 1974 Administrative Procedure Act rulemaking requirements and not subject to procedural or substantive review by OAL) (Register 2010, No. 47).

32. Amendment of section heading and subsections (a)-(b)(1), (b)(3)-(4), (b)(5)(C),

(b)(8.1)-(b)(8.1)(A) and (b)(9)(E) and amendment of footnote 1 filed 1-8-2013; operative 2-7-2013. Submitted to OAL for filing pursuant to *Fair Political Practices Commission v. Office of Administrative Law*, 3 Civil C010924, California Court of Appeal, Third Appellate District, nonpublished decision, April 27, 1992 (FPPC regulations only subject to 1974 Administrative Procedure Act rulemaking requirements and not subject to procedural or substantive review by OAL) (Register 2013, No. 2).

33. Amendment of subsections (b)(8.1)-(b)(8.1)(A), (b)(8.2)(E)3. and (b)(9)(E) filed 12-15-2014;

operative 1-1-2015 pursuant to section 18312(e)(1)(A), title 2, California Code of Regulations.

Submitted to OAL for filing and printing pursuant to *Fair Political Practices Commission v.*

Office of Administrative Law, 3 Civil C010924, California Court of Appeal, Third Appellate

District, nonpublished decision, April 27, 1992 (FPPC regulations only subject to 1974

Administrative Procedure Act rulemaking requirements) (Register 2014, No. 51).



September 1, 2016

TO: Each Member
Board of Retirement
Board of Investments

FROM: Gregg Rademacher 
Chief Executive Officer

FOR: September 15, 2016 Board of Retirement Meeting
October 12, 2016 Board of Investments Meeting

SUBJECT: **CHIEF INVESTMENT OFFICER COMPENSATION**

RECOMMENDATION

It is recommended that each of the Boards:

1. Approve that the Chief Investment Officer salary range will be determined by the Board of Retirement and Board of Investments in accordance with amendments to County Code, Sections 6.127.030.F, 6.28.050 (Item 0776), and 6.127.040.B.7.
2. Direct staff to submit to the Board of Supervisors the amendments to County Code, Sections 6.127.030.F, 6.28.050 (Item 0776), and 6.127.040.B.7.

EXECUTIVE SUMMARY

LACERA has been working toward filling its Chief Investment Officer (CIO) position since it became vacant in May 2015. The CIO is a key resource supporting the Board of Investments in successfully investing the \$48 billion retirement trust portfolio, the County OPEB \$549 million trust portfolio, and the \$5 million Court OPEB trust portfolio.

At its June 2016 and July 2016 meetings, the Board of Investments and the Board of Retirement (the Boards), respectively, approved a recommendation to expand the LACERA salary MAPP Tier I salary range table to include salary ranges LR26 through LR30 and to reset the CIO position's compensation at salary range LR28. This recommendation was based upon labor market information presented by a professional compensation consultant with the intention to improve LACERA's ability to attract and retain a highly qualified CIO candidate with the knowledge and experience required to invest the retirement and OPEB trust portfolios.

Subsequent to the Boards' action, additional information became available during discussions with the executive recruiter performing the CIO candidate search. The executive recruiter

advised the Chief Executive Officer (CEO) and the ad hoc CIO Search Committee that while the reset CIO salary range is expected to be competitive in the public pension labor market, it would be beneficial for the Boards to have an expedited method to adjust the salary range during salary negotiations. As the standard process to change a position's salary range takes approximate 60 to 90 days, staff indentified an opportunity to expedite the process by leveraging existing County salary code (Attachment A) used by the Boards for setting the LACERA CEO salary. The County salary code does not define a salary range for the LACERA CEO and allows the Boards to jointly define a specific salary or salary range as the Boards deem appropriate.

The recommendation before the Boards is to use this methodology in defining the CIO position's salary range in the County salary code. As such, the recommendation supersedes the Boards previous action directing staff to change the County salary code to predefine the CIO salary range. The previous Boards action to set the CIO salary range at LR28 remains in effect and will be used by the CEO in searching for qualified CIO candidates. Should the CEO find the need to exceed the LR28 salary range in making a salary offer to a CIO candidate, the CEO will seek authority from the Boards to change the CIO salary range using the new expedited method. The Boards' previous action to expand the LACERA salary MAPP Tier I salary range table to include salary ranges LR26 through LR30 remains in effect and staff will be taking action to have the County salary code amended as previously directed.

COUNTY SALARY CODE: RETIREMENT ADMINSTRATOR

California Government Code Sections 31522.1, 31522.2, and 31522.4 in CERL provide that employees of the retirement system be included in the salary ordinance (code) adopted by the Board of Supervisors. In the past, the County Counsel has advised that the Board of Supervisors has a ministerial duty to adopt the positions and salary levels that are determined necessary by the LACERA Boards. As such, LACERA has a separate section within the County salary code documenting the LACERA Board approved compensation provisions.

The following excerpts from LACERA's section in the County salary code define the Board approved method to compensate its CEO/Retirement Administrator:

6.127.020 Retirement Administrator.

- A. The person appointed by the Board of Retirement and Investments to act as retirement administrator, pursuant to Government Code Section 31522.2, shall be known as the Chief Executive Officer, LACERA, and shall be paid in the same manner and receive the same benefits as a county officer on an item designated as "L" pursuant to the provisions of subsection B of Section 6.28.020 and *shall be compensated as determined by the Boards of Retirement and Investments.* (Emphasis added.)

6.127.030 Additional Information.

B. Retirement Administrator.

1. Compensation and Benefits. Notwithstanding any other provision of Title 6 of this code, the salary and benefits for any person designated to act as retirement administrator pursuant to 6.127.020 *may be determined by written agreement between the boards of retirement and investments* and such designated person. In the event of any inconsistency between the provisions of Title 6 of this code and such written agreement, the provisions of the written agreement shall control. (Emphasis added.)

3. Salary Adjustment. Notwithstanding Section 6.080.330E, *adjustments to the base salary of a person designated to act as retirement administrator pursuant to Section 6.127.020 of this code may be made by the boards of retirement and investments and shall take effect when designated by the boards.* Such adjustments need not fall within the designated person's Salary Range. (Emphasis added.)

The following is an excerpt from the County salary code listing all County and LACERA positions. This table identifies the position number, the position title, the effective date, a note (37), and salary range.

6.28.050 Tables of classes of positions with salary schedule and level.

Item No.	Title	Effective Date	Salary or Salary Schedule and Level		
0776	Chief Executive Officer, LACERA	06/29/2004	N37		

NOTE 37: Notwithstanding any other provision of this Title 6, a person employed in this class shall be paid in accordance with the provisions of Section 6.127.020(A).

The County salary code highlights the Board's ability to compensate the CEO without a predetermined salary range defined in the County salary code. The Boards have the flexibility to compensate the CEO by specific salary designation or through the MAPP Tier I compensation program. In any event, the Boards may choose an appropriate salary range for the CEO, and such salary range is not predefined in the County salary code.

COUNTY SALARY CODE: CHIEF INVESTMENT OFFICER

The CEO recommends the Boards approve using the CEO salary setting methodology when determining the CIO salary range. This methodology is harmonious with the CIO position's participation in the MAPP Tier I compensation program currently in use where the Boards may approve a general salary adjustment (cost-of-living increase) and the structural merit increase based upon the employee's performance evaluation rating.

The Boards' prior action to reset the CIO position salary at MAPP Tier I Range LR28 will remain in effect, and will serve as a Board defined salary range limit for the CEO to make salary offers. However, the CIO salary range will be changed to be undefined in the County salary code. In substance, the following recommended County salary code changes replace the previous Board approved County salary code changes to define the CIO position's salary at MAPP Tier I Range LR28 in the County salary code.

6.127.030 Additional Information.

- F. Chief Investment Officer. Notwithstanding any other provision of Title 6 of this code, the salary range for any person designated to act as Chief Investment Officer shall be determined by the Boards of Retirement and Investments.

6.28.050 Tables of classes of positions with salary schedule and level.

Item No.	Title	Effective Date	Salary or Salary Schedule and Level		
0493	Chief Investment Officer, LACERA (UC)	01/01/2009	N23	LR25	
		01/16/2014	N23	LR25	
		01/01/2015	N23	LR25	
		01/01/2016	N23	LR25	
		<u>12/01/2016</u>	<u>N##</u>		

NOTE ##: Notwithstanding any other provision of this Title 6, a person employed in this class shall be paid in accordance with the provisions of Section 6.127.030(F).

CHIEF INVESTMENT OFFICER PARTICIPATION IN LACERA MAPP TIER I

The Board approved compensation program for LACERA non-represented employees is documented in County salary code Section 6.127.040 LACERA Tier I and Tier II Management Appraisal and Performance Plan (MAPP). The CIO position currently participates in MAPP Tier I and is expect to continue participating in MAPP Tier I. The following excerpts from the

LACERA MAPP salary code sections outlines the Boards responsibility to define the positions to participate in the MAPP and to define the salary ranges.

6.127.040 LACERA Tier I and Tier II Management Appraisal and Performance Plan.

- D. Position assignment to the Management Appraisal and Performance Plan. Upon the recommendation of the board of retirement and board of investments jointly, the board of supervisors may by ordinance, assign classes or positions to the Plan. The board of retirement and the board of investments jointly shall recommend to the board of supervisors a Salary range for each class or position.

The Boards previously assigned the CIO position to participate in MAPP Tier I. As the current recommendation is to change the salary range definition methodology, the following change to the "Tier I" definition is required to clarify that a position with a Board assigned salary range may participate in MAPP Tier I.

6.127.040 LACERA Tier I and Tier II Management Appraisal and Performance Plan.

- B. Definitions. The following terms when used in this Section 6.127.040 with initial capital letters, unless the context clearly indicates otherwise, shall have the following respective meanings:

- 7. "Tier I" means that part of the Plan that is applicable to positions and other positions specifically designated as eligible for Tier I by the board of supervisors as requested by the board of retirement and board of investments jointly. Salary ranges applicable to Tier I Participants are designated by the letters "LR" in Sections 6.28.050 and 6.26.020 A of this code and as designated by the board of retirement and board of investments under Section 6.127.030. Tier I Salary ranges are defined in terms of a minimum rate, maximum rate, and a Control Point and are divided into quartiles for salary administration purposes in accordance the provisions of Section 6.08.370 or as designated by the board of retirement and board of investments under Section 6.127.030.

The remaining authorities related to the CIO position remain in effect. For example, the CEO remains the appointing authority and may designate a salary at rate for a new employee within the first three quartiles of the Board approved salary range with the Boards having the sole authority to designate a salary rate for a new employee within the fourth quartile of the salary range.

A copy of the relevant part of the code marked to show the proposed changes is included as Attachment A.

IT IS THEREFORE RECOMMENDED THAT EACH OF YOUR BOARDS:

1. Approve that the Chief Investment Officer salary range will be determined by the Board of Retirement and Board of Investments in accordance with amendments to County Code, Sections 6.127.030.F, 6.28.050 (Item 0776), and 6.127.040.B.7.
2. Direct staff to submit to the Board of Supervisors the amendments to County Code, Sections 6.127.030.F, 6.28.050 (Item 0776), and 6.127.040.B.7.

GR:bn

Investment Office Compensation September 2016v6.doc

Attachment

Los Angeles County Code
Chapter 6.28
Tables of Classes of Positions

Sections: (relevant section and excerpt presented)

6.28.050 Tables of classes of positions with salary schedule and level

Item No.	Title	Effective Date	Salary or Salary Schedule and Level		
0493	Chief Investment Officer, LACERA (UC)	01/01/2009	N23	LR25	
		01/16/2014	N23	LR25	
		01/01/2015	N23	LR25	
		01/01/2016	N23	LR25	
		<u>12/01/2016</u>	<u>N(##)</u>		

NOTE ##: Notwithstanding any other provision of this Title 6, a person employed in this class shall be paid in accordance with the provisions of Section 6.127.030(F).

Los Angeles County Code
Chapter 6.127
Los Angeles County Employees Retirement Association

Sections:

- 6.127.010 Positions
- 6.127.020 Retirement Administrator
- 6.127.030 Additional Information
- 6.127.040 LACERA Tier I and Tier II Management Appraisal and Performance Plan

6.127.010 - Positions

ITEM NO.	NO. OF ORDINANCE POSITIONS	TITLE
0411A	1	ACCOUNT CLERK I,LACERA
0412A	1	ACCOUNT CLERK II,LACERA
0415A	20	ACCOUNTANT,LACERA
0417A	1	ACCOUNTING OFFICER I,LACERA
0418A	2	ACCOUNTING OFFICER II,LACERA
0413A	10	ACCOUNTING TECHNICIAN I,LACERA
0414A	1	ACCOUNTING TECHNICIAN II,LACERA

ITEM NO.	NO. OF ORDINANCE POSITIONS	TITLE
419A	4	ADMIN SERVICES ANALYST I,LACERA
0420A	6	ADMIN SERVICES ANALYST II,LACERA
0421A	10	ADMIN SERVICES ANALYST III,LACERA
0410A	3	ADMIN SERVICES OFFICER,LACERA
0766A	1	ASST CHIEF,INTERNAL AUDIT,LACERA
0456A	2	ASST DATA SYSTEMS ANALYST,LACERA
0437A	1	ASST DIRECTOR,HUMAN RESOURCES,LACERA
0771A	12	ASSISTANT DIVISION MANAGER,LACERA
0778A	2	ASSISTANT EXECUTIVE OFFICER, LACERA
0792A	2	ASSISTANT EXECUTIVE OFFICER, LACERA (UC)
0781A	4	ASSISTANT INFORMATION SYSTEMS MANAGER, LACERA
9203A	3	ASSOCIATE STAFF COUNSEL,LACERA
0794A	1	CHIEF, COMMUNICATIONS, LACERA
9215A	1	CHF COUNSEL,DISAB LITIGATION,LACERA
9216A	1	CHIEF COUNSEL,LACERA
0776L	1	CHIEF EXECUTIVE OFFICER,LACERA
0774A	1	CHIEF,INTERNAL AUDIT,LACERA
0493A	1	CHIEF,INVESTMENT OFFICER,LACERA(UC)
0780A	1	CHIEF QUALITY AND ASSURANCE & METRICS, LACERA
0428A	1	CLERK,LACERA
0777A	1	CONTRACT ANALYST,LACERA
0779A	3	CREATIVE COORDINATOR, LACERA
0457A	10	DATA SYSTEMS ANALYST I,LACERA
0458A	25	DATA SYSTEMS ANALYST II,LACERA
0469A	21	DATA SYSTEMS COORDINATOR,LACERA
0459A	4	DATA SYSTEMS SUPERVISOR I,LACERA
0460A	10	DATA SYSTEMS SUPERVISOR II,LACERA
0425A	1	DIRECTOR,HUMAN RESOURCES,LACERA
0793A	1	DIRECTOR, RETIREE HEALTH CARE, LACERA
1648A	10	DISABILITY RETIREMENT SPECIALIST

ITEM NO.	NO. OF ORDINANCE POSITIONS	TITLE
1643A	10	DISABILITY RETIREMENT SPEC SUPVR
0790A	2	DISABILITY RETIREMENT SUPPORT SPECIALIST I, LACERA
0791A	2	DISABILITY RETIREMENT SUPPORT SPECIALIST II, LACERA
0773A	7	DIVISION MANAGER,LACERA
0471A	10	DOCUMENT PROCESSING ASSISTANT,LACERA
0472A	3	DOCUMENT PROCESSING COORDINATOR,LACERA
0453A	3	EDP PRIN PROGRAMMER ANALYST,LACERA
0451A	3	EDP PROGRAMMER ANALYST,LACERA
0452A	4	EDP SR PROGRAMMER ANALYST,LACERA
0442A	5	EXECUTIVE SECRETARY,LACERA
0767A	8	FINANCE ANALYST I,LACERA
0768A	12	FINANCE ANALYST II,LACERA
0769A	10	FINANCE ANALYST III,LACERA
7956A	2	GRAPHIC ARTIST,LACERA
0434A	4	HUMAN RESOURCES ANALYST,LACERA
0783A	1	INFORMATION SYSTEMS MANAGER, LACERA
0782A	2	INFORMATION SYSTEMS MANAGER I, LACERA
0429A	8	INTERMEDIATE CLERK,LACERA
0429F	1	INTERMEDIATE CLERK,LACERA
0443A	1	INTERMEDIATE STENOGRAPHER,LACERA
0432A	1	INTERMEDIATE SUPVG CLERK,LACERA
0445A	4	INTERMEDIATE TYPIST-CLERK,LACERA
0765A	10	INTERNAL AUDITOR,LACERA
0764A	2	INTERNAL AUDITOR, LACERA
9235A	6	LEGAL ANALYST,LACERA
0795A	1	LEGISLATIVE AFFAIRS OFFICER, LACERA
0440A	8	MANAGEMENT SECRETARY,LACERA
0789A	4	MEDIA ARTIST, LACERA
9386	9	MEMBER,BOARD OF INVESTMENTS
9394	10	MEMBER,BOARD OF RETIREMENT

ITEM NO.	NO. OF ORDINANCE POSITIONS	TITLE
0461A	3	MESSENGER DRIVER,LACERA
0433A	1	PAYROLL CLERK I,LACERA
0500A	1	PORTFOLIO MANAGER
0762A	3	PRINCIPAL INTERNAL AUDITOR, LACERA
0495A	4	PRINCIPAL INVESTMENT OFFICER,LACERA
0496A	6	PRINCIPAL INVESTMENT OFFICER, LACERA (UC)
0467A	6	PROCUREMENT AND SUPPLY CLERK,LACERA
0463A	4	PROCUREMENT ASSISTANT I,LACERA
0464A	6	PROCUREMENT ASSISTANT II,LACERA
2600A	6	PROGRAMMING SYSTEMS SPEC,LACERA
0465A	1	PUBLIC INFORMATION OFFICER,LACERA
0796A	6	QUALITY AUDITOR I, LACERA
0797A	14	QUALITY AUDITOR II, LACERA
0466A	2	RECEPTIONIST,LACERA
1309A	18	RETIREMENT BENEFITS SPECIALIST I
1310A	60	RETIREMENT BENEFITS SPECIALIST II
1311A	80	RETIREMENT BENEFITS SPECIALIST III
2644A	2	RETIREMENT SYSTEMS SPECIALIST
0761A	1	RISK MANAGEMENT SPECIALIST,LACERA
0438A	12	SECRETARY,LACERA
0772A	10	SECTION HEAD, LACERA
0416A	8	SENIOR ACCOUNTANT,LACERA
0430A	5	SENIOR CLERK,LACERA
1632A	20	SENIOR DISABILITY RETIREMENT SPEC
0436A	8	SENIOR HUMAN RESOURCES ANALYST,LACERA
0435A	4	SENIOR HUMAN RESOURCES ASST,LACERA
0763A	8	SENIOR INTERNAL AUDITOR, LACERA
0492A	10	SENIOR INVESTMENT OFFICER,LACERA
0441A	10	SENIOR MANAGEMENT SECRETARY,LACERA
0468A	4	SR PROCUREMENT AND SUPPLY CLERK,LACERA
0798A	8	SENIOR QUALITY AUDITOR, LACERA

ITEM NO.	NO. OF ORDINANCE POSITIONS	TITLE
1312A	25	SENIOR RETIREMENT BENEFITS SPEC
0439A	12	SENIOR SECRETARY,LACERA
9213A	10	SENIOR STAFF COUNSEL,LACERA
0455A	1	SENIOR SYSTEMS AID,LACERA
0446A	7	SENIOR TYPIST-CLERK,LACERA
0784A	4	SENIOR WRITER, LACERA
0775A	2	SPECIAL ASSISTANT,LACERA
0426A	6	STAFF ASSISTANT I,LACERA
0427A	8	STAFF ASSISTANT II,LACERA
9212A	5	STAFF COUNSEL,LACERA
0450F	4	STUDENT PROFESSIONAL WORKER,LACERA
0422A	1	SUPVG ADMINISTRATIVE ASST I,LACERA
0423A	2	SUPVG ADMINISTRATIVE ASST II,LACERA
0424A	2	SUPVG ADMIN ASSISTANT III,LACERA
0431A	1	SUPERVISING CLERK,LACERA
0449A	1	SUPERVISING WORD PROCESSOR,LACERA
0462A	1	SUPVR,MAIL & DELIVERY SERV,LACERA
0454A	1	SYSTEMS AID,LACERA
1886A	1	TRAINING COORDINATOR,LACERA
0444A	4	TYPIST-CLERK,LACERA
0788A	4	WEB DESIGNER, LACERA
0787A	2	WEB SUPPORT TECHNICIAN, LACERA
0447A	1	WORD PROCESSOR I,LACERA
0448A	5	WORD PROCESSOR II,LACERA
0785A	2	WRITER I, LACERA
0786A	4	WRITER II, LACERA

(Ord. 2015-0045, §§ 1, 2, 2015: Ord. 2011-0057 § 68, 2011; Ord. 2010-0026 § 2, 2010; Ord. 2009-0013 § 8, 2009; Ord. 2008-0017 § 2, 2008; Ord. 2007-0095 § 3, 2007; Ord. 2006-0053 § 2 (part), 2006.)

6.127.020 - Retirement Administrator.

- A. The person appointed by the Boards of Retirement and Investments to act as retirement administrator, pursuant to Government Code Section 31522.2, shall be known as Chief Executive Officer, LACERA, and shall be paid in the same manner and receive the same benefits as a county officer on an item designated as "L" pursuant to the provisions of subsection B of Section 6.28.020 and shall be compensated as determined by the Boards of Retirement and Investments. (Ord. 2009-0013 § 9, 2009; Ord. 2006-0053 § 2 (part), 2006.)

6.127.030 - Additional information.

- A. Step Pay Plan. Notwithstanding Section 6.08.010, by specific action, any person designated to act as Retirement Administrator pursuant to Section 6.127.020 of this code may approve step placement of an employee of the Los Angeles County Employees Retirement Association at any step within the salary range for the position which he or she holds, provided that placements made pursuant to this section are reported to the boards of retirement and investments on a periodic basis. The succeeding step advancement in such a case will be made thereafter on a yearly basis unless an exception is specifically authorized by the retirement administrator.
- B. Retirement Administrator.
 1. Compensation and Benefits. Notwithstanding any other provision of Title 6 of this code, the salary and benefits for any person designated to act as retirement administrator pursuant to Section 6.127.020 may be determined by written agreement between the boards of retirement and investments and such designated person. In the event of any inconsistency between the provisions of Title 6 of this code and such written agreement, the provisions of the written agreement shall control.
 2. Exceptional or Extraordinary Service. Notwithstanding Section 6.08.360, a person designated to act as retirement administrator pursuant to Section 6.127.02A0 of this code may receive additional compensation for future service in the succeeding year, payable in one or more lump-sum payments and in such manner as may be authorized by the boards of retirement and investments. Such payment, if any, shall be granted in recognition of exceptional or extraordinary service.
 3. Salary Adjustment. Notwithstanding Section 6.08.330 E, adjustments to the base salary of a person designated to act as retirement administrator pursuant to Section 6.127.020 of this code may be made by the boards of retirement and investments and shall take effect when designated by the boards. Such adjustments need not fall within the designated person's Salary Range.
- C. Performance Compensation Program. The Boards of Retirement and Investments may, by resolution, provide for a performance compensation program applicable to designated participants.

- D. 1. a. In addition to any other compensation provided for in this code, any person employed at LACERA in one of the following classes who possesses a valid Certified Public Accountant license issued by the state of California or a valid Certified Government Financial Manager certification issued by the Association of Government Accountants shall be entitled to compensation at a rate two schedules higher than that established for the class in Section 6.28.050 of this code:

Title:	Item No.
Assistant Chief, Internal Audit, LACERA	0766
Assistant Division Manager, LACERA	0771
Chief, Internal Audit, LACERA	0774
Division Manager, LACERA	0773
Internal Auditor, LACERA	0764
Internal Auditor, LACERA	0765
Principal Internal Auditor, LACERA	0762
Senior Internal Auditor, LACERA	0763
Special Assistant, LACERA	0775

- b. Effective with the pay period ending April 15, 2012 and upon notification to the board of supervisors by the chief executive officer that the human resources management system implementing this provision is fully operational, all provisions in Section 6.127.030, subsection D.1.a shall remain in effect except that such persons meeting the aforementioned requirements shall be entitled to compensation at a rate 5.6468 percent higher than that established for the classification in Section 6.28.050 of this code.

2. a. Any person employed at LACERA in the following classes who possesses a valid Certified Internal Auditor certification from the Institute of Internal Auditors or a valid Certified Information Systems Auditor certification from the Information Systems Audit and Control Association shall be entitled to compensation at a rate two schedules higher than that established for the class in Section 6.28.050 of this code:

Title:	Item No.
Assistant Chief, Internal Audit, LACERA	0766
Assistant Division Manager, LACERA	0771
Chief, Internal Audit, LACERA	0774
Internal Auditor, LACERA	0764
Internal Auditor, LACERA	0765

Principal Internal Auditor, LACERA	0762
Senior Internal Auditor, LACERA	0763
Special Assistant, LACERA	0775

b. Effective with the pay period ending April 15, 2012 and upon notification to the board of supervisors by the chief executive officer that the human resources management system implementing this provision is fully operational, all provisions in Section 6.127.030, subsection D.2.a shall remain in effect except that such persons meeting the aforementioned requirements shall be entitled to compensation at a rate 5.6468 percent higher than that established for the classification in Section 6.28.050 of this code.

3. a. Any person employed at LACERA in the following classes who possesses a valid Certified Public Finance Officer certification from the Government Finance Officers Association shall be entitled to compensation at a rate two schedules higher than that established for the class in Section 6.28.050 of this code:

Title:	Item No.
Assistant Chief, Internal Audit, LACERA	0766
Assistant Division Manager, LACERA	0771
Chief, Internal Audit, LACERA	0774
Division Manager, LACERA	0773
Internal Auditor, LACERA	0764
Internal Auditor, LACERA	0765
Principal Internal Auditor, LACERA	0762
Senior Internal Auditor, LACERA	0763

b. Effective with the pay period ending April 15, 2012 and upon notification to the board of supervisors by the chief executive officer that the human resources management system implementing this provision is fully operational, all provisions in Section 6.127.030, subsection D.3.a shall remain in effect except that such persons meeting the aforementioned requirements shall be entitled to compensation at a rate 5.6468 percent higher than that established for the classification in Section 6.28.050 of this code.

4. a. Any person employed at LACERA in the following classes who possesses a valid Certified Employee Benefits Specialist designation from the International Foundation of Employee Benefit Plans and the Wharton School of the University of Pennsylvania shall be entitled to compensation at a rate two schedules higher than that established for the class in Section 6.28.050 of this code:

Title:	Item No.
Assistant Division Manager, LACERA	0771
Chief, Quality Assurance and Metrics, LACERA	0780
Division Manager, LACERA	0773
Legislative Affairs Officer, LACERA	0795
Quality Auditor I, LACERA	0796
Quality Auditor II, LACERA	0797
Section Head, LACERA	0772
Senior Quality Auditor, LACERA	0798
Special Assistant, LACERA	0775
Supervising Administrative Assistant III, LACERA	0424

b. Effective with the pay period ending April 15, 2012 and upon notification to the board of supervisors by the chief executive officer that the human resources management system implementing this provision is fully operational, all provisions in Section 6.127.030, subsection D.4.a shall remain in effect except that such persons meeting the aforementioned requirements shall be entitled to compensation at a rate 5.6468 percent higher than that established for the classification in Section 6.28.050 of this code.

5. a. Any person employed at LACERA in the following classes who possesses a valid Worker's Compensation Claims Professional certification from the Insurance Education Association shall be entitled to compensation at a rate two schedules higher than that established for the class in Section 6.28.050 of this code:

Title:	Item No.
Disability Retirement Specialist	1648
Disability Retirement Specialist Supervisor	1643
Division Manager, LACERA	0773
Human Resources Analyst, LACERA	0434
Senior Disability Retirement Specialist	1632
Senior Human Resources Analyst, LACERA	0436

b. Effective with the pay period ending April 15, 2012 and upon notification to the board of supervisors by the chief executive officer that the human resources management system implementing this provision is fully operational, all provisions in Section 6.127.030, subsection D.5.a shall remain in effect except that such persons meeting the aforementioned requirements shall be entitled to compensation

at a rate 5.6468 percent higher than that established for the classification in Section 6.28.050 of this code.

6. a. Any person employed at LACERA in one of the following classes who possesses a valid Chartered Financial Analyst certification from the CFA Institute shall be entitled to compensation at a rate two schedules higher than that established for the class in Section 6.28.050 of this code.

Title:	Item No.
Chief Investment Officer, LACERA (UC)	0493
Finance Analyst I, LACERA	0767
Finance Analyst II, LACERA	0768
Finance Analyst III, LACERA	0769
Principal Investment Officer, LACERA	0495
Principal Investment Officer, LACERA (UC)	0496

- b. Effective with the pay period ending April 15, 2012 and upon notification to the board of supervisors by the chief executive officer that the human resources management system implementing this provision is fully operational, all provisions in Section 6.127.030, subsection D.6.a shall remain in effect except that such persons meeting the aforementioned requirements shall be entitled to compensation at a rate 5.6468 percent higher than that established for the classification in Section 6.28.050 of this code.

7. a. Any person employed at LACERA in the following classes who possesses a valid Certified Compensation Professional designation from WorldatWork, formerly the American Compensation Association, shall be entitled to compensation at a rate two schedules higher than that established for the class in Section 6.28.050 of this code:

Title:	Item No.
Assistant Director, Human Resources, LACERA	0437
Director, Human Resources, LACERA	0425
Human Resources Analyst, LACERA	0434
Senior Human Resources Analyst, LACERA	0436

- b. Effective with the pay period ending April 15, 2012 and upon notification to the board of supervisors by the chief executive officer that the human resources management system implementing this provision is fully operational, all provisions in Section 6.127.030, subsection D.7.a shall remain in effect except that such

persons meeting the aforementioned requirements shall be entitled to compensation at a rate 5.6468 percent higher than that established for the classification in Section 6.28.050 of this code.

8. In no event shall a person receive compensation pursuant to any of the subsections of subsection C for any period prior to the date on which he presents at least one of the certificates designated therein to the Retirement Administrator or person designated by the Retirement Administrator, nor shall any person receive compensation for more than one of the certificates designated therein.
- E. Assignment of additional responsibilities. Notwithstanding any other provision of this Title 6, any person employed by the Los Angeles County Employees Retirement Association, if designated by a person designated to act as retirement administrator pursuant to Section 6.127.020, shall be entitled to additional compensation equivalent to one, two, three or four schedules above that provided in Section 6.28.050 for additional responsibilities which are assigned by the person designated to act as retirement administrator.
- F. Chief Investment Officer. Notwithstanding any other provision of Title 6 of this code, the salary range for any person designated to act as Chief Investment Officer shall be determined by the Boards of Retirement and Investments.

6.127.040 - LACERA Tier I and Tier II Management Appraisal and Performance Plan.

- A. Purpose. The purpose of the Management Appraisal and Performance Plan is to improve LACERA's ability to employ executive, senior management, and management employees, to evaluate and compensate those employees for the contributions they make toward achieving LACERA priorities, and to motivate them to excel and achieve high efficiency, reduce costs, realize expected revenues, and deliver quality services to LACERA's members and beneficiaries.
- B. Definitions. The following terms when used in this Section 6.127.040 with initial capital letters, unless the context clearly indicates otherwise, shall have the following respective meanings:
 1. "Appointing Authority" means the retirement administrator as to Participants serving on the staff of the Los Angeles County Employees Retirement Association. The board of retirement and the board of investments jointly shall be the Appointing Authority for any person designated to act as retirement administrator pursuant to Section 6.127.020 of this code.
 2. "Control Point" means the midpoint of each Salary range as indicated in the Tier I Salary Structure. The Control Point for each Tier II Salary range shall be the same as the similarly numbered Tier I Salary range.
 3. "General Salary Adjustment" means an across-the-board adjustment in the actual base salaries of Tier I and/or Tier II Participants. A General Salary Adjustment may be implemented only by specific action of the board of supervisors as requested by the

board of retirement and board of investments jointly and may or may not be accompanied by a concurrent adjustment in the Salary Structure.

4. "Participant" means a person employed in a position in a class which has been approved by the board of supervisors as requested by the board of retirement and board of investments jointly for inclusion in the Management Appraisal and Performance Plan.
 5. "Plan" means the Management Appraisal and Performance Plan set forth in this Section 6.127.040.
 6. "Salary Structure" means the Tier I and Tier II Salary ranges specified in Section 6.26.020 A.
 7. "Tier I" means that part of the Plan that is applicable to positions specifically designated as eligible for Tier I by the board of supervisors as requested by the board of retirement and board of investments jointly. Salary ranges applicable to Tier I Participants are designated by the letters "LR" in Sections 6.28.050 and 6.26.020 A of this code and as designated by the board of retirement and board of investments under Section 6.127.030. Tier I Salary ranges are defined in terms of a minimum rate, a maximum rate, and a Control Point and are divided into quartiles for salary administration purposes in accordance with the provisions of Section 6.08.370 or as designated by the board of retirement and board of investments under Section 6.127.030.
 8. "Tier II" means that part of the Plan that is applicable to all Participants other than Tier I Participants. Salary ranges applicable to Tier II Participants are designated by the letters "LS" in Sections 6.28.050 and 6.26.020 A of this code. Tier II Salary ranges consist of 18 salary steps, with the first 12 being 3 percent apart and the last six steps being 1 ½ percent apart.
 9. "Tier I Merit Adjustment" means movement through the applicable LR range based on an evaluation of performance as provided for in the Plan and any pertinent instructions issued by the retirement administrator. A Tier I Merit Adjustment may range from zero to 5 percent with respect to any given rating period.
 10. "Tier II Step Advancement" means advancement to the next salary step in the applicable LS range based on an evaluation of performance as provided for in the Plan and any pertinent instructions issued by the retirement administrator.
 11. "Y-Rate" means, for purposes of this Part 3, a special salary rate which entitles a person to receive a salary at a rate higher than the maximum of the Salary range for the position which the person holds.
- C. Applicability of Section 6.127.040 provisions. Notwithstanding any other provision of this Title 6, the salary of a person employed in a position assigned to a Salary range in Tier I or Tier II of the Plan shall be determined pursuant to the provisions of this Section 6.127.040; provided, however, that the retirement administrator's salary and benefits may be determined by written agreement between the board of retirement and board of investments jointly and the retirement administrator. In the event of any inconsistency between provisions of this

Section 6.127.040 and such written agreement, the provisions of the written agreement shall control.

- D. Position assignment to the Management Appraisal and Performance Plan. Upon the recommendation of the board of retirement and board of investments jointly, the board of supervisors may by ordinance, assign classes or positions to the Plan. The board of retirement and board of investments jointly shall recommend to the board of supervisors a Salary range for each class or position.

Participants who would otherwise be eligible to receive benefits under Chapter 5.26, 5.27, and 5.28 of this code shall be eligible to receive benefits under Chapter 5.26 and the appropriate benefits of either Chapter 5.27 or Chapter 5.28 of this code. In addition, Participants designated eligible to receive benefits under Subdivision 1 of Chapter 5.27 or Subdivision 1 of Chapter 5.28 of this code shall be eligible to receive up to eight days sick leave.

- E. Performance management.

1. Performance rating categories and process.

The retirement administrator, or his/her designee, shall annually evaluate the performance of each Participant, in accordance with guidelines and in a format established by the LACERA director of human resources, which shall provide for an overall performance rating based on the following five category rating scale:

—	"Far Exceeded Expectations"
—	"Exceeded Expectations"
—	"Met Expectations"
—	"Needs Improvement Meeting Expectations"
—	"Failed to Meet Expectations"

The performance management process includes annually setting goals and defining performance expectations developed jointly by the retirement administrator or his/her designee and each Participant. The retirement administrator defines department values for the performance management process. At the discretion of the retirement administrator, Participants on a leave of absence during the rating period are not required to have a performance plan while on an approved leave of absence.

2. Rating period.

- a. The rating period will be as designated by the retirement administrator. However, the performance of each Participant will be reviewed periodically by the retirement administrator or his/her designee during the performance period. At the conclusion of the rating period, the retirement administrator or his/her designee will review the performance of each Participant and complete an evaluation form in the manner

established by the LACERA director of human resources. At the discretion of the retirement administrator, an evaluation form may be completed for those Participants with less than six months service in the Plan. The retirement administrator or his/her designee shall have the option of rating Participants on leave for more than six months of the rating period. Participants on leave for less than six months shall be given an overall performance rating except in the case where the LACERA director of human resources has determined that unusual circumstances exist. Where Participants on a leave of absence are rated, any Tier I Merit Salary Adjustment or Tier II Step Advancement may, at the discretion of the retirement administrator, be granted upon the Participant's return to work. Participants who are not rated shall not be granted a Tier I Merit Salary Adjustment or a Tier II Step Advancement.

- b. In the case of the retirement administrator, the evaluation shall be in accordance with the procedures established by the board of retirement and board of investments jointly.
3. Performance evaluation timeliness. Tier I Merit Salary Adjustments and/or Tier II Step Advancements will be withheld for both the rater and employee being rated if the performance evaluation has not been submitted on a timely basis in accordance with timeframes established by the LACERA director of human resources or by the retirement administrator or his or her designee. Upon submission of the performance evaluation, the employee being rated will be eligible for a retroactive Tier I Merit Salary Adjustment or Tier II Step Advancement based on his/her performance rating. However, in no case where a performance evaluation was not submitted on a timely basis shall the rater receive a retroactive Tier I Merit Salary Adjustment or Tier II Step Advancement.
4. Performance rating transition. For Participants previously evaluated under Civil Service Rule 20.04, the last performance evaluation rating under Civil Service Rule 20.04 shall be used for all purposes on or after October 1, 2008 and continuing only until a new performance rating is given under Tier I or Tier II of the Plan. Performance evaluation ratings under Civil Service Rule 20.04 shall be treated as they are the same as Tier I and Tier II Plan ratings as follows:
 - a. Permanent Employees.

"Outstanding"	= "Far Exceeded Expectations"
"Very Good"	= "Exceeded Expectations"
"Competent"	= "Met Expectations"
"Improvement Needed"	= "Needs Improvement Meeting Expectations"
"Unsatisfactory"	= "Failed to Meet Expectations"

b. Probationary Employees.

"Competent"	= "Met Expectations"
"Unsatisfactory"	= "Failed to Meet Expectations"

F. Appeal process.

1. Initial Review. In the case of a disputed individual performance evaluation and rating, the affected Participant shall be afforded full opportunity to present, in writing, his/her request for review and modification of the rating to the Participant's immediate supervisor. Such requests shall be made within 10 business days of receipt of a performance rating. The decision of the supervisor shall be final subject to review and reconsideration as outlined in subsection 2 of this section. In the case of an assistant executive officer, such presentation shall be made to the retirement administrator, whose decision shall be final.
2. LACERA Director of Human Resources Review. Within 10 business days of receipt of the decision of the supervisor under subsection 1 of this section, any affected Participant, except an assistant executive officer, may request review by the director of human resources and reconsideration by the supervisor for a performance rating of "Needs Improvement Meeting Expectations" or "Failed to Meet Expectations." The director of human resources shall review the process and submit recommendations to the retirement administrator, who will then render a final decision on the evaluation and rating. The decision of the retirement administrator shall be conclusive.

G. Tier I and Tier II Management Appraisal and Performance Plan General Salary Adjustment provisions. The retirement administrator shall recommend, as appropriate, and the board of retirement and board of investments jointly may approve General Salary Adjustments for Participants. General Salary Adjustments are adjustments that are across-the-board in nature and that affect the Salary Structure for Tier I and Tier II. General Salary Adjustments, where implemented, are intended to keep pace with external salary inflation and preserve internal pay relationships with other LACERA employees who are not Participants. In recommending a General Salary Adjustment, the retirement administrator shall consider both LACERA's operational needs, including the need to recruit and retain quality personnel under the Plan, and LACERA's ability to pay for the adjustments.

H. Tier I and Tier II Management Appraisal and Performance Plan basic salary structures.

1. Reassignment of Positions. The retirement administrator shall recommend to the board of retirement and board of investments reassignment of positions to higher or lower Tier I or Tier II Salary ranges when appropriate as necessitated by external market conditions or changes in the duties and responsibilities of affected positions.
2. Salary Rate Below the Minimum of the Salary Range. A Participant's salary may fall below the minimum of the Salary range as a result of a Salary Structure adjustment. In

such case, there shall be no adjustment in the Participant's salary absent specific authorization and instruction from the board of retirement and board of investments jointly or the retirement administrator. When an employee's salary rate falls below the minimum of the Salary range, it shall not constitute a demotion.

3. Placement or movement in Salary Range. By specific action, the board of retirement and board of investments jointly or the retirement administrator may provide for salary placement or subsequent movement of an employee at any rate within the established Salary range for the position he/she holds. Movement in the Salary range may result in either an increase or decrease to a Participant's current salary.
4. Equivalency of Compensation. An employee who is receiving additional compensation pursuant to Section 6.10.070, Section 6.10.073 A and B, Section 6.44.015, Section 6.50.020, or Section 6.64.020 A of this code shall, at the time his or her position is assigned to the Plan, be designated a salary rate on the appropriate Salary range that is not less than his/her then current salary, including such additional compensation.
5. Change of Status. When a person receives a change of classification, is transferred, or is appointed from an eligible list to a position, such change of status shall not be deemed a promotion or demotion when there is a difference of less than 2.75 percent between the Control Point of the old Salary range and the Control Point of the new Salary range or between the Control Point of the new Salary range and the highest step of a position not designated for the Plan. Said person will be placed within the Salary range at his/her then current salary, or for Tier II, placed on the nearest step that does not result in a decrease in salary for the participant. Where the new position is outside the Plan, the employee's salary step placement shall be determined as otherwise provided by this code.
6. Reduction of Salary Range. When a person continues to hold a position whose Salary range is reduced or which is reclassified to a lower level, said person will be placed within the new Salary range at his/her current salary, or for Tier II, placed on the nearest step that does not result in a decrease in salary for the participant. If the current salary is higher than the new salary range maximum, said person's rate of pay shall be identified as a Y-Rate, which shall remain until such time as the Y-Rate is within the Salary range for the position.
7. Appointment to Lower-Level Position. When a person on a higher position is appointed from an eligible list to a lower-level position, or is voluntarily reduced, he/she shall be placed at any salary within the Salary range for the lower-level position or his/her current salary, whichever is less. Notwithstanding any other provision of this subsection 7, a person appointed prior to completion of his/her probationary period on the higher position shall be placed at a salary within the Salary range of the lower position, in accordance with the provisions of Section 6.08.345.
8. Equivalency of Grade. A class in Tier I is deemed to be equal in grade to a class in Tier II if the two Salary Ranges are equal in terms of the minimum and maximum rates as

indicated by the numeric designation assigned to the Salary ranges. (A class compensated at LR10 in Tier I is, for example, equal in grade to a class compensated at LS10 in Tier II). A class in Tier I or Tier II is deemed equal in grade to a class paid in accordance with Chapter 6.08, Part 1 of this title if the top step of the class compensated under Part 1 is less than 2.75 percent above or below the Control Point of the Salary range for the Tier I or Tier II class as the case may be.

9. Exception for Certain Participants. The compensation of any Participant employed in a class or position designated by an item sub other than "A" or "L" pursuant to the provisions of Section 6.28.020 A shall be limited to that provided by this subsection. Such Participant shall be compensated at a salary rate not to exceed the Control Point of the Salary range or at any salary within the Salary range, with the concurrence of the retirement administrator. The salary rate for such Participants shall be adjusted in accordance with the approved General Salary Adjustments provided the retirement administrator certifies such Participant's performance is equivalent to "Met Expectations" or better.
- I. Demotion. Upon demotion of a Participant from a higher-level position to a lower-level position the Participant's Salary shall be determined as follows:
 1. Permanent Status. Any person who has completed the probationary period for the higher-level position and voluntarily demotes to another position on a lower Salary range shall be placed at any salary within the lower Salary range, provided said salary does not exceed the maximum of the new Salary range for the lower-level position or his/her current salary, whichever is less. When a person is involuntarily demoted for discipline or performance reasons, the Appointing Authority may place said person at any place within the Salary range of the lower-level position at a rate not to exceed his/her current salary.
 2. Probationary Status. Any person demoted to another class prior to completion of the probationary period for the higher-level position shall be returned to the salary held prior to the promotion as though the person had never occupied the higher-level position.
 3. Demotion to Position Outside the Plan. Any person demoted to a class not compensated pursuant to the provisions of this Section 6.127.040 shall be placed at an appropriate salary in accordance with the provisions of Section 6.08.110 of Part 1 of this code.
 - J. Reinstatement, reemployment, and restoration.
 1. Reinstatement. The Salary of a person reinstated to a Tier I position following separation from County service will be determined in accordance with the provisions of Section 6.127.040 M.1 and the salary of a person reinstated to a Tier II position following separation from County service will be determined in accordance with the provisions of Section 6.127.040 P.1, as if the person was entering County service as a new hire. However, persons reinstated pursuant to Government Code Section 31680.7

- may be placed at any salary rate not to exceed the salary paid to said person prior to retirement unless a higher rate is specifically authorized by the retirement administrator.
2. Reemployment. A person reemployed under Civil Service Rule 19.08 to the position held immediately prior to separation will be reemployed at the same salary rate within the Salary range for the position held prior to separation or the minimum of the Salary range, whichever is greater. A person reemployed on a different position than that previously held prior to separation will be reemployed at the maximum of the Salary range for the new position or at the same salary paid to said person prior to separation, whichever is the lesser. An employees whose last performance rating was "Needs Improvement Meeting Expectations" or "Failed to meet Expectations" shall not be reemployed.
 3. Restoration. When a person is restored to a higher-level position in either Tier I or Tier II, the person may be placed within the Salary range at his/her current salary or his/her previous salary. If the salary falls below the minimum of the Salary range for the restored position, the employee shall be placed at the minimum of the Salary range for the restored position.
- K. Special provisions. The provisions of Chapter 6.10 shall apply to Participants except as modified, deleted, or supplemented below. Special rates shall not be included in base salary for the purpose of calculating pay increases.
1. Temporary Assignments—Special Rate. Any Participant assigned to perform all of the significant duties of a higher-level position in an acting or temporary capacity during the absence from work of an incumbent of an included position or when such position is vacant for 30 calendar days or longer, shall be provided, during the term of the assignment, additional compensation of 5.5 percent. The retirement administrator may approve a higher amount that does not exceed the maximum of the Salary range for the higher level position and may waive the 30 day requirement based on the needs of the service.
 2. Out-of-Class Assignments. The provisions of Section 6.10.040 shall not apply to Participants.
 3. Manpower Shortage Recruitment Rates. The provisions of Section 6.10.050 shall not apply to Participants.
 4. Manpower Shortage Ranges. The provisions of Section 6.10.060 shall not apply to Participants; provided, however, that in addition to all other compensation provided by this code, the retirement administrator may adjust the salary of one or more Participants up to 11 percent pursuant to provisions in Section 6.10.060 when such adjustment is necessary to preserve supervisory pay differentials or to maintain internal pay equity following adjustments in pay for non-participants pursuant to Section 6.10.050 or Section 6.10.060. Such additional compensation may be discontinued by the retirement

administrator in the same manner and subject to the same terms and conditions as such pay under Section 6.10.050 may be discontinued for non-participants.

5. Additional Compensation for Supervisors. The provisions of Section 6.10.070 shall not apply to Participants; provided, however, that in addition to all other compensation provided by this code, the retirement administrator may adjust the salary of a Participant when such adjustment is appropriate to maintain a supervisory differential of up to 5.5 percent between the Participant and his/her highest paid subordinate providing such organization is permanent and has been approved by the retirement administrator. Such additional compensation may be discontinued by the retirement administrator in the same manner and subject to the terms and conditions as such pay under Section 6.10.070 may be discontinued.
 6. Assignment of Additional Responsibility. The provisions of Section 6.10.073 shall apply to Participants except that such additional compensation authorized in accordance with the provisions of Section 6.10.073 shall be up to 11 percent of a Participant's current salary.
 7. Merit Bonuses for Managers. The provisions of Section 6.10.075 shall not apply to Participants.
 8. Acting Department Head—Additional Compensation. Participants may be provided additional compensation of 5.5 percent, unless a higher amount is approved by the retirement administrator.
 9. Standby Pay. The provisions of Section 6.10.120 shall not apply to Participants.
- L. Transition to Management Appraisal and Performance Plan - Tier I and Tier II.
1. Notwithstanding any other provision of this code, any employee who, on September 1, 2008, was a Participant in the Plan and who, on October 1, 2008 is a Participant in Tier I of the Plan, as amended, shall receive no change in salary on October 1, 2008 as a consequence of any amendments to the Plan which became operative on that date. The Participant's actual salary in such case may or may not fall within the established Tier I Range.
 2. Notwithstanding any other provisions of this code, any employee who, on September 1, 2008, was a Participant in the Plan and who, on October 1, 2008, is a Participant in Tier II of the Plan, as amended, shall, effective October 1, 2008, be placed on the Tier II salary step closest to the Participant's September 1, 2008 salary that does not result in a decrease in salary.
- M. Tier I establishment of salary upon appointment. A person appointed to a class or position designated as participating in Tier I of the Plan shall be paid as follows:
1. Appointment of Persons Not Currently Employed by LACERA. The retirement administrator may designate a salary at any rate within the first three quartiles of the Salary range established for the position to which the person is being appointed.

Appointment at a salary rate within the fourth quartile of the Salary range shall require prior approval by the board of retirement and board of investments jointly.

2. Promotional Appointments. A person being promoted from another position in county or LACERA service shall be compensated at a salary within the Salary range of the higher position, except that such person shall receive an increase of at least 5.5 percent, rounded to the nearest dollar, above his/her previous base salary but not less than the minimum of the Salary range. Persons compensated at a Y-Rate shall receive an increase of 5.5 percent, rounded to the nearest dollar, over the maximum of the Salary range for the person's present position. If the person would thereby suffer a reduction in salary, said person will be placed at his/her current salary or at such higher salary as may be specifically authorized by the retirement administrator.
- N. Tier I General salary adjustment provision. General Salary Adjustments for Tier I Participants will take the form of a percentage change in the LR-Range Salary structure on specific dates approved by the board of retirement and board of investments jointly with concurrent changes in the actual salaries of Participants. Only Tier I Participants who have received a current performance evaluation of "Met Expectations" or better shall receive a General Salary Adjustment.
- O. Tier I merit salary adjustment provisions. Annually, the retirement administrator shall grant a Merit Salary Adjustment, ranging from a minimum of zero percent to a maximum of 5 percent. Such Merit Salary Adjustments shall be limited to Participants whose current performance rating is "Met Expectations" or higher and shall take effect on October 1st of each year except as otherwise provided by this Plan and provided further that such adjustment shall be limited to Participants who have worked at least six months in the Tier I position. Such adjustments may apply to and/or result in a salary that falls outside the established Tier I Salary range.
- P. Tier II establishment of step placement upon appointment. A person appointed to a class or position designated as participating in the Tier II Management Appraisal and Performance Plan shall be paid as follows:
1. Appointment of Persons Not Employed by the county or LACERA. For persons not employed by the county or LACERA and who are appointed to positions participating in the Tier II Management Appraisal and Performance Plan, the retirement administrator may designate any step up to and including step 12 of the Salary range established for the position to which the person is being appointed, provided the retirement administrator makes a written finding based on an analysis of factors to justify hiring above the minimum of the Salary range. Appointment to a salary rate greater than step 12 shall require prior approval of the board of retirement and board of investments jointly.
 2. Promotional Appointments. A person being promoted from another position in county or LACERA service shall be compensated at a salary within the Salary range of the higher position, except that such persons shall receive an increase of at least 5.5 percent,

plus step placement, above his/her previous base salary, but not less than the minimum of the Salary range. Promotional increases greater than 5.5 percent, plus step placement, shall require the approval of the retirement administrator. Persons compensated at Y-Rate shall receive the salary within the Salary range of the higher-level Position which provides an increase of 5.5 percent over the maximum of the Salary range for the person's present position. If the person would thereby suffer a reduction in salary, said person will be placed at his/her current salary or as such higher salary as may be specifically authorized by the retirement administrator.

- Q. Tier II General salary adjustment provision. General Salary Adjustments for Tier II Participants will take the form of a percentage change in the LS-Range Salary structure on specific dates approved by the board of retirement and board of investments jointly with concurrent changes in the actual salaries of Participants.
- R. Tier II Step advancement provisions.
1. Subject to retirement administrator approval, each Tier II Participant may be eligible on October 1st of each year for advancement to the next salary step on the applicable Tier II LS Range. Such step advancement shall be limited to Participants who have been MAPP participants prior to April 1st of the current fiscal year and who otherwise meet the conditions for salary step advancement set forth in the Plan.
 2. Step Advancement up to and including step 12 requires, in addition to the provisions of subsection A above, that a Participant have a current performance rating of at least "Met Expectations."
 3. Step Advancement beginning with Step 13 and above requires, in addition to the provisions of subsection A above, that a Participant have a current performance rating of at least "Exceeded Expectations" or better.

August 31, 2016

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

FROM: Gregg Rademacher 
Chief Executive Officer

FOR: September 15, 2016 Board of Retirement Meeting
September 14, 2016 Board of Investments Meeting

SUBJECT: **POLICY ON JOINT MEETINGS**

RECOMMENDATION

The Boards adopt the Policy on Joint Meetings.

BACKGROUND

The Board of Retirement and Board of Investments share responsibility under the County Employees Retirement Law of 1937 (CERL), Cal. Gov't Code §§ 31450 et seq., for various matters, and the Boards must act together as a matter of law on these issues. There are also joint committees, which make recommendations for action by both Boards. In addition, other issues of mutual interest arise from time to time that require discussion and action by both Boards. While the Boards may act separately on joint matters and a joint meeting is not necessary for every joint issue, joint meetings are an important tool in the Boards' governance toolbox.

The Boards do not currently have a policy defining what matters are subject to a joint meeting, the process for scheduling a joint meeting, and the procedures to be followed at a joint meeting. Joint meetings historically have been handled on an ad hoc basis. Since there is no standardized approach, there have been questions from Board Members and staff as to whether, when, and how to hold a joint meeting, which in turn have led to confusion, delay, and other inefficiencies in making decisions on some items of joint Board business.

This memo proposes a Policy on Joint Meetings that will provide standards adopted by both Boards and is within the scope of the authority provided the Boards by CERL and other applicable law. The proposed policy and this memo were reviewed by Chief Counsel and fiduciary counsel.

DISCUSSION

A. Summary and Rationale of the Proposed Policy

1. Definition of Joint Issues

The policy first defines the issues that may be the subject of a joint meeting under the policy. Joint issues are defined in the policy to include three categories:

- **Budget Issues.** CERL provides in Section 31580.2 that the “boards shall annually adopt a budget covering the entire expense of administration of the retirement system” Accordingly, as a matter of law, adoption of the annual budget requires joint action. The policy incorporates this requirement by providing that the adoption of and changes to the budget are a joint issue subject to the joint meeting policy.
- **Personnel and Compensation Issues.** CERL Sections 31522.1 (administrative, technical, clerical staff), 31522.2 (retirement administrator), and 31522.4 (assistant administrators and those next in line, CIO and those next in line, and chief legal officers and chief legal deputies) provide that appointment of personnel is to be made by “both the board of retirement and the board of investment[s].” This joint power includes the power to determine the need for positions, appoint, and set compensation. The policy tracks CERL by providing that the exercise of power under these specific statutory provisions is a joint issue.

The policy also clarifies the handling of employment litigation or claims. This has previously been a topic of discussion among the Boards and their Members. To clarify this subject and eliminate ambiguity in the future, the policy provides that litigation and claims concerning the most senior LACERA employees described in Sections 31522.2 and 31522.4 are joint issues for the two Boards. This is appropriate because both Boards should participate in management of senior staff. Exercise of joint authority over disputes regarding senior personnel is also consistent with past practice of the Boards. As to all other personnel, which are the subject of Section 31522.1, the policy provides that litigation and claims will be separately administered by the Board of Retirement, which is also consistent with past LACERA practice.

- **Other Joint Governance Issues.** The policy covers all other matters which CERL requires to be addressed by both Boards or which the Boards may agree should be the subject of joint action:
 - **Formation of and Recommendations of Joint Committees.** The Audit Committee and the Travel Policy Committee both forward matters to both Boards for joint action. The formation of any new standing joint committees will require joint action. Joint ad hoc committees are also formed from time to time by the Board Chairs to address issues of joint concern.
 - **Adoption and Implementation of Joint Policies.** This category includes adoption and implementation of the Education & Travel Policy, the Audit Committee Charter, the Code of Ethical Conduct, the Legislative Policy now under consideration by both Boards, and other policies and procedures adopted by both Boards.
 - **Other Joint Issues.** There are other issues that the law requires or that the Boards may agree require joint action. For example, the Conflict of Interest Code is such an issue as the Political Reform Act requires the Boards to adopt such a code and review it biennially.

While the proposed policy is intended to provide as much clarity in defining joint issues, there will remain some gray areas. For example, there are some provisions of CERL that ambiguously refer to “either or both” Boards. See, e.g., Cal. Gov’t Code § 31459.1(3) (listing CERL provisions that include “either or both the board of retirement and board of investments,” leaving doubt as to which Board has authority or whether both Boards have authority and creating the possibility of different competing Board actions on the same subject matter). The Legal Division, led by the Legislative Affairs Officer, is now in the process of reviewing all CERL provisions referencing authority of either or both Boards. Staff intends to present the Boards with a proposal for a legislative clean-up of these provisions before the end of 2016 so that legislation can be introduced early in the next legislative session.

Staff does not recommend that action on the proposed Policy on Joint Meetings be delayed pending resolution of legislative issues on Board authority. The Boards have the power to manage their relationship and establish such policies, including the proposed policy, as they deem appropriate.

2. Process for Joint Meetings

The policy clearly defines the process for a joint meeting, including:

- **Initiation of Joint Meetings.** A joint meeting may be initiated by:
 - Discussion among the Board Chairs and the CEO.
 - Motion of an individual Member of either Board, adopted by a majority of the Members present at the time of the vote. If such a motion passes, a joint meeting will be held, even if one Board has already taken action on the issue.
 - Request of an individual Member to the Board Chairs and the CEO for their consideration.
- **Scheduling of Joint Meetings.** Joint meetings will be scheduled for dates on which a quorum of each Board can reasonably be expected to be present. To be fair, joint meetings will generally alternate between the dates of BOI and BOR meetings, although a joint meeting may be held on a different date if circumstances require it.
- **Conduct of Joint Meetings.** The Board Chairs and the CEO will confer to determine the agenda, who will preside over the meeting, and other procedural matters. All joint meetings will comply with the Brown Act and will be conducted under Robert's Rules of Order.
- **Action at Joint Meetings.** Each Board will separately take action, if any, on any item presented at the meeting, and each Board Chair will preside over the making of a motion, action, and other procedural actions related to that Chair's Board.

B. Pros and Cons of the Proposed Policy

1. Pros

- Recognition that joint meetings can be an effective and efficient means to facilitate discussion, consensus-building, and decision-making.
- Statement of common understanding between the two Boards as to the issues and procedures for joint meetings.

- Consistent standards for joint meetings, eliminating prior ad hoc approach.
- Definition of the issues subject to a joint meeting.
- Established procedures for joint meetings, including the process for setting a joint meeting and fair scheduling with joint meetings alternating between meeting dates of the two Boards.
- Confirmation of the role of the Board Chairs and CEO in determining the need for a joint meeting, while recognizing the right of individual Board Members, through informal request or motion during a Board meeting, to request a joint meeting.

2. Cons Staff does not believe the proposed policy presents any problems or disadvantages when compared to the status quo.

A question may arise as to whether the policy infringes upon the independence or separate jurisdiction of each Board. This should not be a concern because a joint meeting is simply a vehicle for discussion, and the policy confirms the requirement that each Board take a separate vote on every issue. Where the Boards or Members may have different points of view on an issue, a joint meeting provides a method for the Members of both Boards to get together, discuss their perspectives, and potentially reach a common understanding on joint issues that can be supported by a majority of each Board.

CONCLUSION AND RECOMMENDATION

For the reasons set forth in this memorandum,

IT IS RECOMMENDED the Boards adopt the Policy on Joint Meetings.

GR:SR:bn
Joint Meeting Policy Memo v5.docx

Attachment

c: Robert Hill
John Popowich
Vache Mahseredjian
Steven P. Rice

**LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION
BOARD OF RETIREMENT AND BOARD OF INVESTMENTS
POLICY ON JOINT MEETINGS**

I. INTRODUCTION

This policy sets forth the procedures that the Board of Retirement and Board of Investments (collectively, Boards) will follow in holding joint meetings. The policy is intended to facilitate consideration of issues that require discussion and action by both Boards under the County Employees Retirement Law of 1937 (CERL), Cal. Gov't Code §§ 31450 et seq.,¹ or where joint discussion is otherwise in the interest of administering the retirement system.

II. DEFINITIONS

For purposes of this policy, the following definitions apply:

- A. "Budget Issues"** means matters relating to adoption of and changes to the budget for the expenses of administering the retirement system in exercise of the power jointly given the Boards by Section 31580.2.
- B. "Personnel and Compensation Issues"** means matters relating to consideration, discussion, and adoption by the Boards of positions, compensation, revisions to the terms of the salary ordinance for LACERA employees, and other matters in exercise of the power jointly given the Boards under Sections 31522.1, 31522.2, and 31522.4, including, when necessary, adoption of a recommendation to the Los Angeles County Board of Supervisors with regard to such matters. The term includes employment litigation or claims concerning employees listed in Section 31522.2 and 31522.4 and the Chief Audit Executive; it does not include employment litigation or claims concerning employees within Section 31522.1, which will be administered by the Board of Retirement.
- C. "Other Joint Governance Issues"** means matters relating to formation of joint committees, recommendations from joint committees, joint policies, and all other matters which require joint action of the Boards under CERL or other governing law or which the Boards agree require Board action.
- D. "Issue" and "Issues"** means, individually and collectively, Budget Issues, Personnel and Compensation Issues, and Other Joint Governance Issues.

III. PROCEDURES

A. Methods of Requesting a Joint Meeting.

- 1. The Board Chairs and the Chief Executive Officer may confer concerning Issues to determine whether they should be brought, in the first instance,

¹ Except where indicated, all statutory references in this policy are to provisions of CERL.

**LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION
BOARD OF RETIREMENT AND BOARD OF INVESTMENTS
POLICY ON JOINT MEETINGS**

to the Boards in separate meetings or to both Boards in a joint meeting, and if separately, in what order among the two Boards.

2. During consideration of an Issue first brought to the Boards separately, a Member of either Board may make a motion that action of the Member's Board be deferred pending a joint meeting of the two Boards on the Issue.
3. An individual Member of either Board may at any time request a joint meeting be held on an Issue. Such a request may be directed to the Member's Board Chair and the CEO for consideration under Section III.A.1 or may be made by motion to the Member's full Board.

B. Meeting Process.

1. If the Board Chairs agree under Section III.A.1 or if a motion for a joint meeting under Section III.A.2 or III.A.3 receives a majority vote of the Members of a Board who are present, a joint meeting of the Boards on the Issue will be held to consider the Issue. A joint meeting will be held even if one Board has already taken action on the Issue.
2. All joint meetings will be noticed and held in compliance with the Ralph M. Brown Act, Cal. Gov't Code §§ 54950 et seq., and Robert's Rules of Order.
3. All joint meetings will be scheduled for a date at which a quorum of Members of both Boards can reasonably be expected to be present. Joint meetings will alternate between regularly scheduled meeting dates of the two Boards, except when circumstances reasonably require that a different date be selected. The Board, and its Members, receiving a joint meeting request from the other Board will reasonably cooperate in participating in the joint meeting.
4. The Board Chairs and the CEO will confer to determine the agenda for joint meetings. The Board Chairs and the CEO will confer on who will preside over a joint meeting and other procedural matters relevant to the joint meeting.

C. Discussion and Action.

1. At a joint meeting, the Boards will jointly discuss the Issue for which the joint meeting has been noticed. The Boards will separately take action, if any, on the Issue during the meeting. Each Board Chair will preside over the making of a motion, action, and other procedural issues relevant to that Chair's Board.

Adopted: Board of Retirement, _____
Board of Investments, _____

FOR INFORMATION ONLY

September 2, 2016

TO: Each Member
Board of Investments

Each Member
Board of Retirement

FROM: Steven P. Rice *SPR*
Chief Counsel

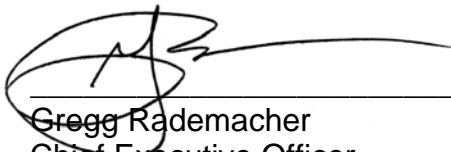
FOR: September 14, 2016 Board of Investments Meeting
September 15, 2016 Board of Retirement Meeting

SUBJECT: **STATUS REPORT ON PRIVACY AUDIT**

In January 2016, the Boards engaged Alston & Bird LLP to perform an audit of LACERA's policies, procedures, and practices regarding private, confidential, and business critical information. Alston & Bird's final written audit report was recently delivered to staff. LACERA management is evaluating the report and preparing management's response. The report and management's response will be presented to the Boards at the October 2016 Board meetings.

With respect to the request by Stroz Friedberg for \$25,000 in additional compensation for its data mapping for the audit (as discussed with the Boards at the June 2016 meetings), staff can confirm that Stroz Friedberg withdrew its request for any additional payment, and the issue is now closed.

Reviewed and Approved



Gregg Rademacher
Chief Executive Officer

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


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

George Lunde
Darla Vidger

August 29, 2016

FOR INFORMATION ONLY

TO: Each Member
Board of Retirement

FROM: Barry W. Lew 
Legislative Affairs Officer

FOR: September 15, 2016 Board of Retirement Meeting

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

AB 2376 was signed into law on August 17, 2016, and its provisions become effective January 1, 2017. The bill contains two provisions sponsored by LACERA:

1. Revises the definition of Plan D in the prospective plan transfer provisions to conform to the California Public Employees' Pension Reform Act of 2013.
2. Clarifies the reciprocity provision related to nonconcurrent retirement for Plan E members.

The bill also contains two provisions sponsored by other organizations:

3. Authorizes a retirement board to make regulations related to sworn statements.

Every employee who is eligible for LACERA membership currently files a sworn statement with LACERA. The sworn statement contains information such as name, address, and date of birth. Your Board may make regulations to receive this information in a form other than a sworn statement.

4. Authorizes the alternate eighth (retired) member to vote in the absence of other employee representatives on a board of retirement.

The Regulations currently provide for the alternate retired member, pursuant to Government Code Section 31520.5, to vote as a member of the Board of Retirement only in the absence of the regular retired member. AB 2376 adds Government Code Section 31520.6, which provides that, notwithstanding Section 31520.5, if the regular retired member is present, the alternate retired member may vote in the absence of:

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

The Regulations will need to be updated to reflect the authorization for the alternate retired member to vote as provided by Section 31520.6.

Reviewed and Approved:

A handwritten signature in blue ink that reads "Steven P. Rice". The signature is written in a cursive style with a large initial 'S'.

Steven P. Rice, Chief Counsel

Attachment

Assembly Bill No. 2376

CHAPTER 134

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

[Approved by Governor August 17, 2016. Filed with
Secretary of State August 17, 2016.]

LEGISLATIVE COUNSEL'S DIGEST

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

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

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

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

This bill would amend provisions of CERL specifically applicable to Los Angeles County to provide that the concurrent retirement exception applies to a member of the retirement system in Los Angeles County eligible to

retire at 55 years of age and would state that the amendment is declaratory of existing law.

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

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

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

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

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

SECTION 1. Section 31494.2 of the Government Code is amended to read:

31494.2. (a) A general member whose benefits are governed by Retirement Plan D may, during a period of active employment, elect to change plan membership and become a member, prospectively, in Retirement Plan E. The election shall be made upon written application signed by the member and filed with the board, pursuant to enrollment procedures and during an enrollment period established by the board, which enrollment period shall not occur more frequently than once every three years for that member. The change in plan membership shall be effective as of the transfer date, as defined in subdivision (d). Except as otherwise provided in this section, the rights and obligations of a member who elects to change membership under this section shall be governed by the terms of this article on and after the transfer date. Prior to the transfer date, the rights to retirement, survivors', or other benefits payable to a member and his or her survivors or beneficiaries shall continue to be governed by Retirement Plan D.

(b) Except as otherwise provided in this section, effective as of the transfer date, a member who has transferred to Retirement Plan E pursuant

to this section and his or her survivors or beneficiaries shall receive retirement, survivors', and other benefits that shall consist of: (1) the benefits to which they are entitled under the terms of Retirement Plan E, but based on the member's service credited only under that plan, and payable at the time and in the manner provided under Retirement Plan E, and (2) the benefits to which they would have been entitled under the terms of Retirement Plan D had the member remained a member of Retirement Plan D, but based on the member's service credited only under that plan, and payable at the time and in the manner provided under Retirement Plan D. Except as otherwise provided in this section, the calculation of the member's, survivors', or beneficiaries' benefits under each plan shall be subject to that plan's respective, separate terms, including, but not limited to, the definitions of "final compensation" and provisions establishing cost-of-living adjustments, establishing minimum retirement age and service requirements, and governing integration with federal social security payments. Notwithstanding the foregoing, the aggregate service credited under both retirement plans shall be taken into account for the purpose of determining eligibility for and vesting of benefits under each plan.

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

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

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

(d) As used in this section:

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

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

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

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

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

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

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

(b) If a member has made the election to change plans under subdivision (a), monthly contributions by the member and the employer under the terms of Retirement Plan D shall commence as of the transfer date. For the purposes of calculating the member's contribution rate under Retirement Plan D, his or her entry age shall be deemed to be his or her age at his or her birthday nearest the transfer date; however, if the member exchanges service credit in accordance with subdivision (c), with regard to contributions made for periods after that exchange, his or her entry age shall be adjusted and deemed to be the member's age at his or her birthday nearest the date on which begins the most recent period of unbroken service credited under Retirement Plan D, taking into account service purchased under subdivision (c). In no event shall the exchange of service under subdivision (c) affect the entry age with respect to, or the cost of, employee contributions made, or service purchased, prior to the exchange.

(c) (1) A general member who has elected to change plans under subdivision (a) also may elect to exchange, at that time or any time thereafter, but prior to the earlier of his or her application for retirement, termination from employment, or death, some portion designated in whole-month increments, or all of the service credited under Retirement Plan E for an equivalent amount of service credited under Retirement Plan D, provided, however, that the member may not exchange less than 12 months' service or, if less, the total service credited under Retirement Plan E. The exchange shall be effective on the date when the member completes the purchase of that service by depositing in the retirement fund, by lump sum or regular monthly installments, over the period of time determined by a resolution adopted by a majority vote of the board of retirement, or both, but in any event prior to the earlier of his or her death or the date that is 120 days after the effective date of his or her retirement, the sum of: (1) the contributions the member would have made to the retirement fund under Retirement Plan D for that length of time for which the member shall receive credit as service under Retirement Plan D, computed in accordance with the rate of

contribution applicable to the member under Retirement Plan D, based upon his or her entry age, and in the same manner prescribed under Retirement Plan D as if that plan had been in effect during the period for which the member shall receive service credit, and (2) the regular interest thereon.

(2) For the purposes of this subdivision, a member's entry age shall be deemed to be the member's age at his or her birthday nearest the date on which begins the most recent period of unbroken service credited under Retirement Plan D following completion of the service exchange under this subdivision. A member may receive credit for a period of service under only one plan and in no event shall a member receive credit for the same period of service under both Retirement Plan D and Retirement Plan E.

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

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

(e) Notwithstanding any other provision of Retirement Plan D or Retirement Plan E, a member who transfers into Retirement Plan D under this section may retire for service-connected or nonservice-connected disability and receive disability benefits under Retirement Plan D only if he or she has either (1) completed two continuous years of active service after his or her most recent transfer date, or (2) earned five years of retirement service credit under Retirement Plan D after his or her most recent transfer date. Notwithstanding any other provision to the contrary, a member who becomes disabled and does not meet either of these conditions

(1) may apply for and receive only a deferred or service retirement allowance, or (2) may elect to transfer prospectively back to Retirement Plan E, and for the purposes of calculating his or her retirement benefits under this section, shall in lieu of credit under Retirement Plan D be credited with service under Retirement Plan E as provided under subdivision (g) of Section 31488 during any period he or she is totally disabled and is receiving, or eligible to receive, disability benefits, either during or after any elimination or qualifying period, under a disability plan provided by the employer up to the earlier of the date he or she retires or no longer qualifies for disability benefits. If a member dies before he or she is eligible to retire and before completing either two continuous years of active service after the transfer date into Retirement Plan D or after earning five years of retirement service credit under Retirement Plan D after that transfer date, that member's beneficiary shall not be entitled to the survivor allowance under Section 31781.1 or 31781.12, if operative.

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

(g) As used in this section:

(1) "Active service" means time spent on active, on-the-job performance of the duties of a full-time or part-time position and on any authorized paid leaves of absence; provided, however, that any authorized paid leave of absence or part-time service shall not constitute active service if the leave of absence or part-time service is necessitated by a preexisting disability, injury, or disease. The board of retirement shall determine whether or not a leave of absence or part-time service is necessitated by a preexisting disability, injury, or disease, and thus excluded from the member's active service, based upon evidence presented by the employer and the member upon request by the board.

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

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

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

(5) “Retirement Plan E” means the noncontributory retirement plan established under this article.

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

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

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

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

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

31520.6. Notwithstanding any provision to the contrary in Section 31520.3 or 31520.5, in any county in which there is an alternate retired member, if the eighth member is present, the alternate retired member may also vote as a member of the board in the event both the second and third, or both the second and seventh, or both the third and seventh members are absent for any cause.

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

31526. The regulations shall include provisions:

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

(b) For one of the following:

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


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

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

September 2, 2016

FOR INFORMATION ONLY

TO: Each Member
Board of Investments
Board of Retirement

FROM: Barry W. Lew 
Legislative Affairs Officer

FOR: September 14, 2016 Board of Investments Meeting
September 15, 2016 Board of Retirement Meeting

SUBJECT: Assembly Bill 1853 – County Employees Retirement Districts

The purpose of this memo is to provide an update regarding the status of AB 1853 and actions taken by staff. AB 1853 provides the retirement board of any retirement system operating under the County Employees Retirement Law of 1937 with the ability, subject to certain procedures, to adopt a resolution to become a district, which would enable the employees of the retirement system, who are currently employed by the county, to be directly employed by the retirement system.

The Board of Investments adopted a “Watch” position on AB 1853 on July 13, 2016, and the Board of Retirement adopted an “Oppose” position on AB 1853 on July 14, 2016.

Staff engaged our legislative advocate, Ackler & Associates, to communicate the positions of both Boards to the author of the bill, Assemblyman Jim Cooper, by a letter dated July 29, 2016. Additionally, a floor alert dated July 29, 2016 was provided by Ackler & Associates to members of the Senate before the bill was to be considered on the Senate floor. The alert urged the Senate to oppose AB 1853.

AB 1853 was passed by the Senate on August 15, 2016 and returned to the Assembly for concurrence on amendments that were made to the bill in the Senate on June 20, 2016. The Assembly concurred in the Senate amendments and passed the bill on August 24, 2016.

Having passed both houses, the bill moved to Governor Jerry Brown for signature. A letter dated August 29, 2016 was addressed to the Governor from the Board of Retirement urging him to veto AB 1853.

Reviewed and Approved:

A handwritten signature in blue ink that reads "Steven P. Rice". The signature is written in a cursive style with a large initial 'S'.

Steven P. Rice, Chief Counsel

Attachments

2016 Leg.AB 1853.BOI.BOR.Info Only.090216

ATTACHMENTS

July 29, 2016

The Honorable Jim Cooper
Assistant Majority Leader
California State Assembly
State Capitol, Room 5158
Sacramento, CA 95814

**RE: AB 1853 (Cooper)—County retirement districts
OPPOSE**

Dear Assemblyman Cooper:

The Los Angeles County Employees Retirement Association (LACERA) Board of Retirement regrets to inform you of our opposition to AB 1853. LACERA also has a Board of Investments, and our Boards were divided on this issue; the Board of Investments had adopted a “Watch” position on your bill.

We respect and value the work you have done and are doing with the Assembly Public Employees, Retirement and Social Security Committee in protecting the retirement benefits of public employees. Last year, the Committee authored AB 992 to address and resolve an issue that LACERA identified relating to disability retirement that affected many of our safety members within the 1937 Act systems. This year, the Committee authored AB 2376, which clarifies and protects the eligibility of our noncontributory members for reciprocal benefits.

We understand the rationale behind AB 1853 in its purpose to give management options to county retirement systems and the philosophy behind your authorship of the bill. When AB 1853 was first proposed, LACERA identified two issues that necessitated amendments to the bill, which your office agreeably accepted from our legislative advocate, Ackler & Associates.

As the bill has evolved, it has become apparent that it can create a divisive relationship between retirement systems and their plan sponsors and employee organizations. The bill as amended on June 20, 2016 did result in the removal of opposition from employee organizations. However, many county plan sponsors—including our plan sponsor, the County of Los Angeles—continue to be opposed to AB 1853. The Board of Retirement believes that it is important for retirement systems to have a collaborative relationship with their plan sponsors and stakeholders to fulfill the mission of providing the promised benefits to their members.

If a county retirement system wishes to become a district, a path exists for each system to individually seek legislation to become a district, as evidenced by the retirement systems of Orange County, San Bernardino County, Contra Costa County, and Ventura County. This path would also enable all the stakeholders—the retirement system, the

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plan sponsor, and the employee organizations—to lend their support in achieving a common goal.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Gregg Rademacher", with a long horizontal line extending to the right.

GREGG RADEMACHER
Chief Executive Officer

GR:bwl

CC: Ackler & Associates

***Floor Alert******Assembly Bill 1853
(Cooper)
Oppose***

DATE: July 29, 2016
TO: All Senate Members
FROM: LACERA
RE: AB 1853 (Cooper) – Oppose

The Board of Retirement of the Los Angeles County Employees Retirement Association (LACERA) respectfully requests your opposition to Assembly Bill 1853.

AB 1853 would authorize the retirement board of any retirement system operating under the County Employees Retirement Law of 1937 to adopt a resolution to become a district. We respect and understand Assemblyman Cooper's philosophy behind his authorship of the bill to give management options to county retirement systems. We also value the work he does in the Assembly Public Employees, Retirement and Social Security Committee for all public employees.

However, the bill has created divisive relationships between retirement systems and their plan sponsors and employee organizations. Although recent amendments have resulted in employee organizations removing their opposition, many county plan sponsors—including our plan sponsor, the County of Los Angeles—continue to be opposed to AB 1853.

The Board of Retirement of LACERA believes it is important for retirement systems to have a collaborative relationship with their plan sponsors and stakeholders to fulfill the mission of providing the promised benefits to their members.

If a county retirement system wishes to become a district, a path exists for each system to individually seek legislation to become a district. This path would enable all the stakeholders—the retirement system, the plan sponsor, and the employee organizations—to lend their support in achieving a common goal.

cc: Ackler & Associates



August 29, 2016

The Honorable Jerry Brown
Governor of California
State Capitol Building
Sacramento, CA 95814

RE: AB 1853 (Cooper)—Request for Veto

Dear Governor Brown:

On behalf of the Board of Retirement of the Los Angeles County Employee Retirement Association (LACERA), I am writing to respectfully request that you veto AB 1853.

Although we disagree with Assemblyman Cooper regarding this bill, we respect and value the work he has done and is doing with the Assembly Public Employees, Retirement and Social Security Committee in protecting the retirement benefits of public employees.

AB 1853 provides the retirement board of any retirement system operating under the County Employees Retirement Law of 1937 with the ability, subject to certain procedures, to adopt a resolution to become a district, which would enable the employees of the retirement system, who are currently employed by the county, to be directly employed by the retirement system.

As provided under the California Constitution, retirement boards of public retirement plans already have plenary authority—and thus independence from plan sponsors—over the administration of the system, including the appointment of personnel and determination of compensation levels, which are then incorporated into the county's compensation ordinance. However, we understand that the rationale and philosophy behind AB 1853 is to provide options to county retirement systems for managing their personnel by becoming a district.

As the bill has evolved, it has become apparent that it can create a divisive relationship between retirement systems and their plan sponsors and employee organizations. Although the bill as amended on June 20, 2016 did result in the removal of opposition from employee organizations, many county plan sponsors—including our plan sponsor, the County of Los Angeles—continue to be opposed to AB 1853.

If a county retirement system wishes to become a district, a path exists for each system to individually seek legislation to become a district, as evidenced by the retirement systems of Orange County, San Bernardino County, Contra Costa County, and Ventura County. This path would also enable all the stakeholders—the retirement system, the plan sponsor, and the employee organizations—to lend their support in achieving a common goal when a local need exists.

The Honorable Jerry Brown
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The Board of Retirement thanks you for your consideration and urges you to veto AB 1853.

Respectfully submitted,

A handwritten signature in blue ink, consisting of a large, stylized loop followed by a horizontal line extending to the right.

GREGG RADEMACHER
Chief Executive Officer

GR:bwl

CC: Ackler & Associates

Assembly Bill No. 1853

Passed the Assembly August 24, 2016

Chief Clerk of the Assembly

Passed the Senate August 15, 2016

Secretary of the Senate

This bill was received by the Governor this _____ day
of _____, 2016, at _____ o'clock ____M.

Private Secretary of the Governor

CHAPTER _____

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

LEGISLATIVE COUNSEL'S DIGEST

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

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

The California Public Employees' Pension Reform Act of 2013 (PEPRA) requires a public retirement system, as defined, to modify its plan or plans to comply with the act and establishes new retirement formulas that a public employer offering a defined benefit pension plan for employees first hired on or after January 1, 2013, may not exceed. PEPRA authorizes individuals who were employed by any public employer before January 1, 2013, and who became employed by a subsequent public employer for the first time on or after January 1, 2013, to be subject to the retirement plan that would have been available to employees of the subsequent employer who were first employed by the subsequent employer on or before December 31, 2012, if the individual was subject to reciprocity, as specified.

This bill would authorize the retirement board of any retirement system operating under CERL to elect, by resolution, to be a district

under the law. The bill would authorize a board to adopt, by resolution, specified administrative provisions that would classify various personnel of the retirement system as employees of the retirement system and not employees of the county. The bill would require the retirement system to notify, and to meet and discuss with, participating employers in the retirement system, the employees of the system, and an employee organization of the retirement system's intent to exercise this authority at least 60 days before considering a resolution to make these provisions applicable. The bill would grant an employee organization representing people who work for the retirement system, and an unrepresented person who works for the retirement system, the right to elect to be employees of the retirement system, which would be irrevokable, except as specified, and the status of the affected employee positions would remain changed for successor employees. In regard to county employees who would become retirement system employees, the bill would prescribe requirements in connection with their compensation and employment benefits and status. These provisions would include maintaining their county retirement benefits that would otherwise be reduced under PEPRA, keeping their employment classifications, and affording employees the opportunity to continue participation in group health and dental plans, among other plans and programs. The bill would also prescribe requirements regarding labor negotiations and the continuity of labor agreements. The bill would grant a retirement system electing these provisions the authority to adopt the regulations and enter into the agreements necessary to implement them. The bill would require counties to cooperate and act in a timely manner to establish and implement agreements in this regard. The bill would authorize retirement systems currently operating under alternative administrative structures also to adopt these provisions. The bill would also extend this authorization and the associated provisions to a board of investment, as specified. The bill would make technical and conforming changes.

(2) CERL authorizes the retirement boards of 5 specified counties to appoint assistant administrators and chief investment officers who, following appointment, are outside county charter, civil service, and merit system rules, except as specified. CERL provides that these administrators and officers are employees of

the county, as specified, while serving at the pleasure of the appointing boards, and they may be dismissed without cause.

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

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

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

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

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

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

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

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

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

(4) Subdivision (a) of Section 31526 and subdivisions (a) and (b) of the second paragraph of Section 31595 apply to both the board of retirement and board of investments, and “board” means either or both the board of retirement and board of investments.

(5) Paragraph (5) of subdivision (l) of Section 31468 and Sections 31522.5, 31522.7, 31522.75, and 31522.9 apply to both the board of retirement and board of investments. For these purposes, “board” means both the board of retirement and board

of investments. “Board of retirement” also means both the board of retirement and board of investments.

(b) In Article 17 (commencing with Section 31880) of this chapter, “board” means the Board of Administration of the Public Employees’ Retirement System.

(c) In all other cases, “board” means the board of retirement.

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

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

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

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

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

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

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

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

(g) “District” also includes the Regents of the University of California, but with respect only to employees who were employees of a county in a county hospital, who became university employees

pursuant to an agreement for transfer to the regents of a county hospital or of the obligation to provide professional medical services at a county hospital, and who under that agreement had the right and did elect to continue membership in the county's retirement system established under this chapter.

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

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

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

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

(4) An employee of the South Coast Air Quality Management District who commenced employment with the district during the period commencing on February 1, 1977, and ending on December 31, 1978, and who has not terminated employment before January 1, 1980, shall be covered by the retirement association elected by the employee pursuant to paragraph (2). That coverage shall be

effected no later than the first day of the first month following the date of the election provided for in paragraph (2).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

board of supervisors for county employees, including those set forth in a memorandum of understanding.

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

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

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

(f) This section shall apply in Orange County.

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

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

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

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

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

and the terms and conditions of employment established by the board of supervisors for county employees, including those set forth in a memorandum of understanding.

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

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

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

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

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

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

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

(2) (A) Prior to the adoption by the board of retirement of a resolution making this section applicable, or at any time thereafter, any employee organization that represents people who work at the retirement system may advise the retirement system in writing that the employees represented by the organization wish to cease being

county employees and wish to elect to become retirement system employees under the terms of this section.

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

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

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

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

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

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

(c) (1) Notwithstanding any other law, the personnel appointed pursuant to this section and the sections referenced of subdivision

(a) shall not be county employees, but shall be employees of the retirement system, subject to terms and conditions of employment established by the board of retirement and the provisions of this section.

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

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

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

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

(e) Any employees who were previously appointed to retirement system personnel positions pursuant to Section 31522.1 and are subsequently appointed as retirement system employees pursuant to subdivision (a) shall cease to be county employees and shall become retirement system employees at their existing or equivalent classifications as of the date the board of retirement makes this section applicable, subject to any subsequent revisions the retirement board may make pursuant to regulations governing terms and conditions of employment and, when applicable, the

provisions of a subsequent memorandum of understanding or bargaining agreement covering the employee.

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

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

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

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

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

provisions of a subsequent memorandum of understanding or bargaining agreement covering the employee.

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

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

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

(i) Sections 31522.2, 31522.3, and 31522.4 shall no longer apply to a retirement system that has made this section applicable.

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

(k) The compensation of personnel appointed pursuant to this section shall be an expense of administration of the retirement system pursuant to Section 31580.2, except as provided in Section

31522.5, 31522.7, or 31522.9, as those sections may apply to a retirement system that has adopted them.

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

(m) A retirement system that has elected to make either Section 31522.5, 31522.7, 31522.9, or 31522.10 applicable upon adoption of a subsequent resolution by the board of retirement may make a different section apply.

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

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

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

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

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

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

(f) The retirement system, upon the effective date of this section, shall retain, for a 90-day transition employment period, nonprobationary employees who, upon the effective date of this section, were covered by a county memorandum of understanding

and employed by the county at the retirement system's facilities, unless just cause exists to terminate the employees or legitimate grounds exist to lay off these employees. If during the 90-day period the retirement system determines that a layoff of these employees is necessary, the retirement system shall retain the employees by seniority within job classification. The terms and conditions of employment of the employees retained pursuant to this subdivision shall be subject to the terms and conditions established by the applicable memorandum of understanding executed by the board of retirement and the recognized employee organizations. During the 90-day transition period, probationary employees shall maintain only those rights they initially acquired pursuant to their employment with the county.

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

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

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

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

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

(b) A member or employee of the board shall not, directly or indirectly, by himself or herself, or as an agent or partner or

employee of others, sell or provide any investment product that would be considered an asset of the fund, to any retirement system established pursuant to this chapter.

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

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

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

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

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

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

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

31535. The board may issue subpoenas and subpoenas duces tecum, and compensate persons subpoenaed. This power shall be exercised and enforced in the same manner as the similar power granted the board of supervisors in Article 9 (commencing with Section 25170) of Chapter 1, Part 2, Division 2, except that the power shall extend only to matters within the retirement board's

jurisdiction, and committees of the board shall not have this power. Reasonable fees and expenses may be provided for by board regulation for any or all of such witnesses regardless of which party subpoenaed them.

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

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

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

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

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

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

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

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

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

Approved _____, 2016

Governor

**FOR INFORMATION ONLY**

August 30, 2016

TO: Each Member,
Board of Retirement

FROM: Beulah S. Auten, CPA, CGFM, CGMA
Chief Financial Officer

FOR: September 15, 2016 Board of Retirement Meeting

SUBJECT: **2017 STAR COLA PROGRAM**

Your Board's actuary, Milliman, Inc., confirmed in the attached memo, staff's determination that there are no current retirees or beneficiaries entitled to additional Supplemental Targeted Adjustment for Retirees (STAR) Cost-of-Living-Adjustment benefits for Program Year 2017 (Attachment 1).

For the calendar year ended in 2015, the Consumer Price Index (CPI) percentage increased 2.03%, which resulted in a 2.0% Cost-of-Living Adjustment (COLA) when rounded to the nearest one-half of one percent as prescribed by law. This means the inflation increase is less than the statutory COLA granted to Plan A and equal to Plans B – D, as well as plan members, whose membership are governed by the Public Employees Pension Reform Act (PEPRA). Therefore, all eligible members in Plans A, B, C, and D, including PEPRA Plans C and G have COLA Accumulation accounts below the 20% threshold necessary for granting additional STAR benefits (Attachment 2).

Background**COLA**

Sections 31870 and 31870.1 of the Government Code provide for a maximum annual cost-of-living increase to be applied to retirement allowances, optional death allowances, or annual death allowances. These increases are 3% for Plan A retirees and survivors; 2% for Plans B, C, D, PEPRA Plans C and G; and up to 2% for certain Plan E retirees and survivors. These two sections also provide for an accumulation of the annual percentage difference between the CPI and the maximum cost-of-living increase. The accumulated percentage carryover is known as the COLA Accumulation. Although certain Plan E members are eligible for the April 1 COLA, the law does not provide for a STAR COLA benefit.¹

¹ Effective June 4, 2002, Plan E members and their survivors are eligible for COLA. The portion of the COLA percentage received by each Plan E member is a ratio of the member's service credit earned on and after June 4, 2002 to total service credit.

COLA Accumulation Calculation

The CPI percentage change from January through December is compared to the maximum allowable cost-of-living percentage increase payable by LACERA under Sections 31870 and 31870.1. In years where the change in CPI is greater than the maximum COLA increase, the difference between these two percentages is accumulated annually for each retiree. The accumulation of differences from each year reflects how much purchasing power has been lost from a retiree's original retirement benefit. By law, the Board of Retirement may provide STAR increases after the accumulation exceeds 20%.

STAR COLA

The Board of Retirement began the STAR Program in 1990 to restore the member's purchasing power that had been eroded by inflation in excess of the protection provided by the statutory Cost-of-Living Adjustment Program (COLA Program). Since its inception, the Board of Retirement has continued the STAR Program and its commitment to fund the program as long as it is economically feasible to do so. Non-contributory members in Plan E are not eligible for STAR COLA benefits.

Since 1990 and through 2000, the STAR Program existed as an ad-hoc benefit designed to provide contributory plan members protection against rising inflation beyond the protection provided by the statutory COLA Program, and successfully restored LACERA retiree purchasing power to the then maximum allowable 75% level.

On September 4, 2000, the California Governor signed into law a provision allowing the Board of Retirement to raise the purchasing power protection to a maximum of 80% and to provide the ability to make permanent the STAR Program using excess earnings.² This change provided the Board of Retirement the flexibility to continue the STAR Program as an ad-hoc benefit or the opportunity to make permanent the STAR Program using excess earnings. Except for Program Years 2005 and 2010 through 2016, the Board of Retirement made permanent the 2001 through 2009 STAR Programs at an 80% level.

For STAR Program Years 2005 and 2010 through 2016, the growth in inflation was below or equivalent to the statutory COLA granted to contributory plan members, which provided sufficient protection against the diminished purchasing power. All eligible members had COLA Accumulation accounts below the 20% threshold for providing additional STAR benefits. Existing STAR participants and their eligible beneficiaries continued receiving these benefits without further action by your Board.

² Excess Earnings are actual cash earnings from the investment portfolio earned during the previous year that remain unspent after paying for costs to administer the system, costs to invest the portfolio, paying interest to the member and employer accounts, and satisfying the 1% contingency reserve requirement in Code Sections 31592 and 31592.2.

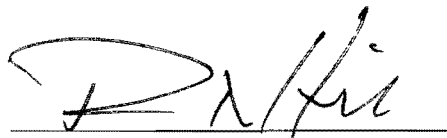
Conclusion

In 2015, the CPI percentage increased 2.03%, which resulted in a 2.0% COLA when rounded to the nearest one-half of one percent, as prescribed by law. This means the inflation increase is below the statutory COLA granted to Plan A members and equal to the statutory COLA granted to Plans B, C, and D, as well as PEPRA Plans C and G members. Similar to Program Years 2005 and 2010 through 2016, all eligible members in Plans A, B, C, and D, including PEPRA Plans C and G have COLA Accumulation accounts below the 20% threshold for providing additional STAR benefits for Program Year 2017. Non-contributory Plan E members are not eligible for STAR COLA benefits. Existing STAR participants and their eligible beneficiaries will continue receiving these benefits without further action by your Board.

RH:BSA:tg
STAR 2017 BOR memo.doc

Attachments

REVIEWED AND APPROVED:



Robert Hill
Assistant Executive Officer

9/26/2016
Date



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VIA EMAIL ONLY

August 2, 2016

Mr. Gregg Rademacher
Chief Executive Officer
LACERA
P. O. Box 7060
Pasadena, CA 91109-7060

Re: STAR COLA for 2017

Dear Gregg:

Per our statement of work, we have reviewed the Supplemental Target Adjustment for Retirees (STAR) COLA program as of January 1, 2017. There are no LACERA retirees or beneficiaries eligible for additional STAR payments as of that date.

Under the STAR COLA, each retiree and beneficiary whose benefit has lost more than 20% of its value is eligible to receive, upon Board approval, an increased benefit payment effective January 1, 2017. The loss of value is measured by the Accumulation Account which is calculated by LACERA staff based on prior benefit payments and the increases in the Los Angeles-Riverside-Orange County, CA Consumer Price Index – All Urban Consumers.

For the year ending in 2015, the increase in CPI was approximately 2.0%, which results in a COLA of 2.0% when rounded to the nearest one-half of one percent, as prescribed by law. Since this increase is no greater than the statutory COLA provided to Plan A-D members no member had an increase in their Accumulation Account from 2015 to 2016. Note that Plan E members are not eligible for the STAR COLA. As of April 2016, all Accumulation Accounts remain less than 20.0% (the threshold for providing STAR benefits). Therefore, no members are eligible for a STAR COLA in 2017.

Actuarial Certification

Milliman's work is prepared solely for the internal business use of LACERA. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exceptions:

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The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this letter is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices.

We are members of the American Academy of Actuaries and associates of the Society of Actuaries, and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

If you have any questions, please let us know.

Sincerely,

Nick J. Collier, ASA, EA, MAAA
Consulting Actuary

NJC/CJG/nlo

cc: Ms. Beulah Auten
Mr. Mark Olleman

Craig J. Glyde, ASA, EA, MAAA
Consulting Actuary

STAR COLA
Percentages for 2017

Retirement Date	Plan A		Plans B, C, D		PEPRA Plans G and C**	
	April 2016 COLA Accumulation	2017 STAR % Increase	April 2016 COLA Accumulation	2017 STAR % Increase	April 2016 COLA Accumulation	2017 STAR % Increase
Before 4/1/77	7.0	*	-	-		
4/1/1977 - 3/31/1978	7.0	*	15.0	*		
4/1/1978 - 3/31/1979	7.0	*	15.0	*		
4/1/1979 - 3/31/1980	7.0	*	15.0	*		
4/1/1980 - 3/31/1981	7.0	*	15.0	*		
4/1/1981 - 3/31/1982	0.7	*	15.0	*		
4/1/1982 - 3/31/1983	0.0	*	15.0	*		
4/1/1983 - 3/31/1984	0.0	*	15.0	*		
4/1/1984 - 3/31/1985	0.0	*	15.0	*		
4/1/1985 - 3/31/1986	0.0	*	15.0	*		
4/1/1986 - 3/31/1987	0.0	*	15.0	*		
4/1/1987 - 3/31/1988	0.0	*	15.0	*		
4/1/1988 - 3/31/1989	0.0	*	15.0	*		
4/1/1989 - 3/31/1990	0.0	*	15.0	*		
4/1/1990 - 3/31/1991	0.0	*	12.4	*		
4/1/1991 - 3/31/1992	0.0	*	7.8	*		
4/1/1992 - 3/31/1993	0.0	*	7.2	*		
4/1/1993 - 3/31/1994	0.0	*	7.2	*		
4/1/1994 - 3/31/1995	0.0	*	7.2	*		
4/1/1995 - 3/31/1996	0.0	*	7.2	*		
4/1/1996 - 3/31/1997	0.0	*	7.2	*		
4/1/1997 - 3/31/1998	0.0	*	7.2	*		
4/1/1998 - 3/31/1999	0.0	*	7.2	*		
4/1/1999 - 3/31/2000	0.0	*	7.2	*		
4/1/2000 - 3/31/2001	0.0	*	6.9	*		
4/1/2001 - 3/31/2002	0.0	*	5.2	*		
4/1/2002 - 3/31/2003	0.0	*	5.1	*		
4/1/2003 - 3/31/2004	0.0	*	3.4	*		
4/1/2004 - 3/31/2005	0.0	*	3.4	*		
4/1/2005 - 3/31/2006	0.0	*	1.0	*		
4/1/2006 - 3/31/2007	0.0	*	0.0	*		
4/1/2007 - 3/31/2008	0.0	*	0.0	*		
4/1/2008 - 3/31/2009	0.0	*	0.0	*		
4/1/2009 - 3/31/2010	0.0	*	0.0	*		
4/1/2010 - 3/31/2011	0.0	*	0.0	*		
4/1/2011 - 3/31/2012	0.0	*	0.0	*		
4/1/2012 - 3/31/2013	0.0	*	0.0	*		
4/1/2013 - 3/31/2014	0.0	*	0.0	*	0.0	*
4/1/2014 - 3/31/2015	0.0	*	0.0	*	0.0	*
4/1/2015 - 3/31/2016	0.0	*	0.0	*	0.0	*

* Not eligible for STAR increase in 2017.

** PEPRA Plans G and C became effective January 1, 2013.



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**