

AGENDA

MEETING OF THE OPERATIONS OVERSIGHT COMMITTEE and BOARD OF RETIREMENT*

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 NORTH LAKE AVENUE, SUITE 810
PASADENA, CA 91101

WEDNESDAY, DECEMBER 7, 2016 - 9:00 A.M.**

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

COMMITTEE MEMBERS:

Joseph Kelly, Chair
Yves Chery, Vice Chair
Anthony Bravo
Ronald Okum
David Muir, Alternate

I. APPROVAL OF THE MINUTES

- A. Approval of the minutes of the regular meeting of October 5, 2016
- B. Approval of the minutes of the regular meeting of November 2, 2016

II. PUBLIC COMMENT

III. FOR INFORMATION

- A. LACERA Operations Briefing
Robert Hill/JJ Popowich
- B. The Benefit Protection Unit
Sylvia Botros/Angel Calvo
- C. Quality Audit Report for Fiscal Year 2015-2016
Derwin Brown

December 7, 2016

Page 2

IV. GOOD OF THE ORDER

(For information purposes only)

V. ADJOURNMENT

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

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

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

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

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

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

WEDNESDAY, OCTOBER 5, 2016, 10:55 A.M. – 11:35 A.M.

COMMITTEE MEMBERS

PRESENT: Joseph Kelly, Chair
Yves Chery, Vice Chair
Anthony Bravo
Ronald Okum
David L. Muir, Alternate

ALSO ATTENDING:

BOARD MEMBERS AT LARGE

Marvin Adams
William de la Garza
Vivian H. Gray
Shawn R. Kehoe
William Pryor
Les Robbins

STAFF, ADVISORS, PARTICIPANTS

Robert Hill
JJ Popowich
Gregg Rademacher

The meeting was called to order by Chair Kelly at 10:55 a.m.

I. APPROVAL OF THE MINUTES

A. Approval of the minutes of the regular meeting of September 7, 2016

Mr. Chery made a motion, Mr. Bravo seconded, to approve the minutes of the regular meeting of September 7, 2016. The motion passed unanimously.

II. PUBLIC COMMENT

III. FOR INFORMATION

A. Retirement Benefits Strategic Plan for Fiscal Years Ending 2018-2020
Gregg Rademacher

The Retirement Benefits Strategic Plan helps LACERA set direction, define project goals, and make decisions on allocating resources. Mr. Rademacher discussed the five milestones of the strategic planning process.

- October Operations Oversight Committee – review current year plan and begin discussion on strategic direction
- October Management Offsite – management team provides operations substance
- January Operations Oversight Committee – introduce draft of new Strategic Plan
- January Board Offsite – work to finalize draft
- February Board Meeting – propose final draft for adoption

Also discussed was the current plan's strategic initiatives, making suggestions for improvement and exploring new ideas to help achieve LACERA's mission to Produce, Protect, and Provide the Promised Benefits.

B. LACERA Operations Briefing
Robert Hill/JJ Popowich

Messrs. Hill and Popowich presented the monthly briefing on LACERA's operations. Many of the items highlighted may recur in subsequent briefings or may result in a future comprehensive OOC presentation.

- Public Records Request Update
- Report of Felony Forfeiture Cases Processed

III. FOR INFORMATION (Continued)

C. Interest Crediting Incident Report
Robert Hill

During the fiscal year-end annual financial statement closing, staff identified and corrected an overstated income amount used to calculate Realized Earnings. Mr. Hill gave a presentation which provided information on the following:

- Description of the incident
- Background – interest crediting process
- Three-step correction plan
- Impact to members
- Member correction plan

IV. GOOD OF THE ORDER

(For information purposes only)

V. ADJOURNMENT

The meeting adjourned at 11:35 a.m.

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

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

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

WEDNESDAY, NOVEMBER 2, 2016, 12:30 P.M. – 12:50 P.M.

COMMITTEE MEMBERS

PRESENT: Joseph Kelly, Chair
Yves Chery, Vice Chair
Ronald Okum
David L. Muir, Alternate

ABSENT; Anthony Bravo

ALSO ATTENDING:

BOARD MEMBERS AT LARGE

Marvin Adams
William de la Garza
Vivian H. Gray
Les Robbins

STAFF, ADVISORS, PARTICIPANTS

Gregg Rademacher
JJ Popowich
James Pu

The meeting was called to order by Chair Kelly at 12:30 p.m. Due to the absence of Mr. Bravo, the Chair announced that Mr. Muir, as the alternate, would be a voting member of the Committee.

I. PUBLIC COMMENT

II. FOR INFORMATION

A. Board Offsite Agenda Planning – Day 1
Gregg Rademacher

Mr. Rademacher presented agenda ideas for Day 1 of the Board offsite, focusing on retirement benefit matters, and solicited further suggestions from the Board. Items being considered are:

- Board Governance – Creating a Board Charter
- Strategic Plan – Retirement Benefits
- Disability Accommodation Policy Considerations
- Legislative Strategy
- State of LACERA
- Bureau of Labor Statistics
- Understanding Member Demographics

B. LACERA Operations Briefing
James Pu/JJ Popowich

Messrs. Pu and Popowich presented the monthly briefing on LACERA's operations. Many of the items highlighted may recur in subsequent briefings or may result in a future comprehensive OOC presentation.

- Public Records Request Update
- Report of Felony Forfeiture Cases Processed
- Monthly Member Deduction File

III. GOOD OF THE ORDER

(For information purposes only)

IV. ADJOURNMENT



The meeting adjourned at 12:50 p.m.

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

FOR INFORMATION ONLY

November 28, 2016

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

FROM: Robert R. Hill, Assistant Executive Officer 
JJ Popowich, Assistant Executive Officer 

FOR: December 7, 2016 Operations Oversight Committee Meeting

SUBJECT: **LACERA OPERATIONS BRIEFING**

The purpose of this briefing is to share insights on staff activities, updates on goals, and discuss opportunities and/or concerns. Many of the items highlighted may recur in subsequent briefings or may result in a future comprehensive OOC presentation.

- Public Records Request Update
- Report of Felony Forfeiture Cases Processed
- Interest Crediting Project Update

RRH:rrh

DATE RECEIVED	REQUESTER	DOCS REQUESTED
10-12-16	J. Callion, AON Hewitt	<p>Requested following information for the fiscal years of 2010-2015:</p> <p>A. Investment Performance (cumulative 5-yr net of fee information).</p> <ol style="list-style-type: none"> 1. Total fund and benchmark performance. 2. Total fund and benchmark standard deviation. 3. Total fund tracking error <p>Performance for each asset class and benchmark that comprises the total fund.</p> <p>B. Cost for administration of Fund.</p> <ol style="list-style-type: none"> 1. Total investment fees for: <ol style="list-style-type: none"> a. Investment management b. Investment consultants c. Custodian d. Costs-per-assets – Administrative costs divided by assets of the program e. Costs-per-member – Administrative costs divided by the number of members. 2. Administrative expenses for: <ol style="list-style-type: none"> a. Personnel cost <ol style="list-style-type: none"> i. Salary and wages b. Travel cost for staff c. Travel cost for board members d. Rent and utilities <p>IT expenses</p> <p>C. Percentage of active vs. passive management utilized for each year.</p> <p>D. Policy and/or procedure in place regarding travel for Board and staff. Please provide us with this document</p> <p>E. What cost sharing arrangements if any do you have with other public pension systems (City/County)?</p> <p><i>Transmitted 17 documents.</i></p> <p><i>Three emails sent with "zipped" pdf attachments containing LACERA reports for each of the following fiscal years ending June 30: 2010, 2011, 2012, 2013, 2014 and 2015.</i></p> <p><i>The files titled "LACERA Performance Book" will satisfy items A.1-4 and C.</i></p> <p><i>The files titled "LACERA CAFR" will satisfy item B.1.</i></p> <p><i>The files titled "LACERA FISCAL YEAR BUDGET" will satisfy item B.2.</i></p> <p><i>The file titled "LACERA Travel Policy April 2016" will satisfy item D.</i></p> <p><i>With regard to item E, LACERA has an arrangement with other 1937 Act retirement systems to support each other with disability benefit investigation services.</i></p>

DATE RECEIVED	REQUESTER	DOCS REQUESTED
10-19-16	C. Bernier, SRSTC	<p>Questions:</p> <ol style="list-style-type: none"> 1. Do you separately break out your exposure to International Small-Cap Equities? and 2. If you do which managers do you invest with? 3. What is the exposure to each manager in terms of dollars? <p><i>Three answers below submitted via email.</i></p> <ol style="list-style-type: none"> 1. <i>Yes LACERA does have an allocation to International Small-Cap equities.</i> 2. <i>LACERA has one International Small-Cap equity manager, Putnam Investments.</i> 3. <i>As of 9/30/2016, Putnam had \$160.0 million invested with LACERA.</i>
10-20-16	K. Zinkiewicz, PEI Media	<p>Requested most recently records of investment information at partnership level.</p> <p><i>Transmitted two documents.</i></p> <p><i>Sent via email Townsend Group 1stQ 2016 Real Estate Holdings report and LACERA Private Equity Report dtd March 31, 2016.</i></p>
10-20-16 VOICE MAIL REQUEST	J. Cheng, Federal Reserve Bank	<p>Requested LACERA Fixed Income holdings report as of September 30, 2016 and Fixed Income holdings positions for December 31, 2015.</p> <p><i>Transmitted 2 documents.</i></p> <p><i>Sent via email Fixed Income Priced Positions report as of Sept. 30, 2016 and also Fixed Income Holdings report for Dec. 21, 2015.</i></p>

DATE RECEIVED	REQUESTER	DOCS REQUESTED
10-20-16	K. Kansal, Individual	<p>Requested the following information:</p> <ol style="list-style-type: none"> 1. Any documents pertaining to whether you have ever sold any private equity interests in the private equity secondaries market in the past. 2. If so, any documents pertaining to the discount to NAV that the interest or interests we sold at. 3. If so, any documents pertaining to the identity of the buyer that the interests were sold to. 4. If so, any documents pertaining to the identity of any intermediary involved in the process. 5. If so, any documents pertaining to any fees paid to any intermediaries involved in the process. 6. If so, any documents pertaining to any other (possibly lower offers) that were received for the same interest either from an intermediary or directly from a buyer or the GP. <p>Potential documents relevant to this request include but are not limited to:</p> <ol style="list-style-type: none"> (i) Non-binding bid letters received either physically or via email. (ii) Binding bid letters received either physically or via email. (iii) Purchase and Sale Agreements completed with relevant buyers. (iv) Unsolicited emails from intermediaries inviting you to either buy or sell particular funds at a particular price. <p><i>Transmitted 1 document on Oct. 26, 2016.</i></p> <p><i>Sent via email 2013 Board memo re Secondary purchase LACERA made in 2013.</i></p> <p><i>Sent via email on Nov. 4, 2016 response that LACERA is not able to produce the documents requested. According to California Government Code §6254.26 (a) (1) through (6), alternative investment agreements and all related documents are not subject to disclosure. The list of documents that you requested (captioned below), are all related to alternative investments.</i></p>

DATE RECEIVED	REQUESTER	DOCS REQUESTED
10-26-16	J. Rossi, Bloomberg	<p>Requesting historical data from 01-01-05 to 09-30-05 re alternative investment portfolio records.</p> <p><i>Email response: Investments Division contacted re request for historical data. Presently, not all data is available. Hopefully, can provide information by November 15, 2016.</i></p> <p><i>Statement sent to Requestor on Nov. 15, 2016 that LACERA is sending responsive Real Estate fund records and trying to obtain the Private Equity Fund Reports. Would a year- end basis suffice? We do not have quarterly reports going back to 2005.</i></p> <p><i>Also transmitted 13 Real Estate documents to Requester on Nov. 15, 2016.</i></p> <ol style="list-style-type: none"> 1. LACERA 2013 - 1Q13 PMR; 2. LACERA 2013 - 2Q13 PMR; 3. LACERA 2013 - 3Q13 PMR; 4. LACERA 2013 - 4Q13 PMR; 5. LACERA 2014 - 2Q14 PMR; 6. LACERA 2014 - 3Q14 PMR; 7. LACERA 2014 - 4Q14 PMR; 8. Redacted LACERA 2014- 1Q14 PMR; 9. LACERA 2015 - 1Q15 PMR; 10. LACERA 2015 - 2Q15 PMR; 11. LACERA 2015 - 3Q15 PMR; 12. LACERA 2015 - 4Q15 PMR; and 13. LACERA 2016 - 1Q16 PMR. 14.
10-31-16	W. Lozano, Individual	<p>Requested information JP Morgan presentation regarding LACERA Private Equity Emerging Manager Program (2008-2011) and Fee Proposal of JP Morgan re PE Emerging Manager Program (2008-2011).</p> <p><i>Transmitted 3 documents.</i></p> <p><i>Sent via email the agenda packet for:</i></p> <ol style="list-style-type: none"> 1. BOI meeting held on Wednesday, July 13, 2016; 2. LACERA Emerging Manager Portfolio Update dated September 14, 2011, and 3. Private Equity Emerging Manager Separate Account Search, Finalist Presentations, dated May 28, 2008.

DATE RECEIVED	REQUESTER	DOCS REQUESTED
11-01-16	M. Sunitha, AARM Corp	<p>Request information regarding Alternative Investment's performance data for the Q3, Q4 of 2015 and Q1, Q2, Q3 of 2016.</p> <p><i>Transmitted 8 documents to Requestor.</i></p> <p><i>Sent via email:</i></p> <ol style="list-style-type: none"> 1. LACERA 2015 4th Q Hedge Fund Performance, dated March 9, 2016; 2. LACERA 2016 1STQ Hedge Fund Performance dated June 8, 2016; 3. LACERA 2016 Second Quarter Hedge Fund Performance dated Sept. 14, 2016; 4. Townsend 1st Q 2016 Portfolio; 5. Townsend Report 3rdQ 2015 Portfolio; 6. Portfolio Investment Report as of Sept 30, 2015; 7. Portfolio Investment Report as of March 31, 2016, and 8. BOI Memo dated Nov. 30 re 2015 Third Quarter Hedge Fund Performance Report.
11-02-16	M. Keehn, LA County	<p>Requested agenda packet for BOI meeting held on Monday, Nov. 7, 2016.</p> <p><i>Transmitted information via email.</i></p>
11-02-16	V. Desikan, Individual	<p>Requested agenda packet for BOI meeting held on Monday, Nov. 7, 2016.</p> <p><i>Transmitted information via email.</i></p>
11-02-16	Fred, Magna Capital	<p>Requested agenda packet for BOI meeting held on Monday, Nov. 7, 2016.</p> <p><i>Transmitted information via email.</i></p>
11-02-16	A. Poe, ReedSmith	<p>Requested agenda packet for BOI meeting held on Monday, Nov. 7, 2016.</p> <p><i>Transmitted information via email.</i></p>
11-02-16	D. Kushner, Individual	<p>Requested agenda packet for BOI meeting held on Monday, Nov. 7, 2016.</p> <p><i>Transmitted information via email.</i></p>

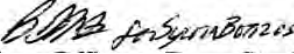
DATE RECEIVED	REQUESTER	DOCS REQUESTED
11-03-16	G. Chung, FIN	<p>Requested agenda packets for BOI meeting held on Monday, Nov. 7, 2016; Equity: Public/Private Committee meeting held on Wednesday, November 9, 2016; Fixed Income/Hedge Funds/Commodities Committee meeting held on Monday, November 7, 2016.</p> <p><i>Transmitted information via email.</i></p>
11-04-16 (Legal received on 11-04-16, requested dated 09-20-16)	C. Curry, IPREO	<p>Requested most recent and complete portfolio of pension fund.</p> <p><i>Transmitted 3 documents.</i></p> <p><i>Sent via email:</i></p> <ol style="list-style-type: none"> 1. LACERA U.S. Equity Holdings as of June 30, 2016; 2. LACERA Non U.S. Equity Holdings as of June 30, 2016' And 3. Fixed Income Positions as of September 30, 2016.
11-07-16	D. Gregory, Public Plan IQ	<p>Requested a copy of Los Angeles County Employee Retirement Association for:</p> <ol style="list-style-type: none"> 1. November 7, 2016 Board of Investment Meeting: All investment related discussion materials; 2. November 7, 2016 Fixed Income/Hedge Funds/Commodities Committee: All investment related discussion materials, and 3. November 7, 2016 Equities Committee Meeting: All investment related discussion materials Prefer to receive electronic copies. <p><i>Transmitted 3 documents.</i></p> <p><i>Sent via email agenda packets for:</i></p> <ol style="list-style-type: none"> 1. BOI meeting held on Monday, Nov. 7, 2016; 2. Equity: Public/Private Committee meeting held on Wednesday, November 9, 2016, and 3. Fixed Income/Hedge Funds/Commodities Committee meeting held on Monday, November 7, 2016.

DATE RECEIVED	REQUESTER	DOCS REQUESTED
11-08-16	A. Kruk, Mandate Wire	<p>Questions asked and answers sent via email and given in red italics.</p> <ol style="list-style-type: none"> 1. Did the board provide direction on the topics to be discussed at the 2017 offsite meeting? If so, which topics were selected and why? <i>The board expressed a preference for a 2-day meeting, but will give guidance on topics at the December meeting.</i> 2. Did the board approve the recommendation to invite Ashmore and Aberdeen to interview for the emerging market debt mandate? Did the board approve the recommendation to keep Western Asset Management on a "bench"? <i>Yes, to both questions.</i> 3. What was discussed regarding MBK Partners Fund IV? Was a commitment approved and if so, what size was the commitment? <i>The board approved a commitment of up to \$150 million.</i> 4. Is LACERA planning any additional manager searches or private markets commitments for the remainder of 2016? If so, what asset classes are being considered and for what mandate/commitment size? <i>The December agenda has not yet been set, but an additional private equity recommendation is possible, details of which are not yet available.</i>
11-11-16	G. Howard, Individual	<p>Requested materials presented on the international real estate program at the September 14, 2016 Real Estate Committee meeting, and the October 12, 2016 Board of Investments meeting.</p> <p><i>Transmitted 2 documents.</i></p> <p><i>Sent via email the agenda packets for BOI Meeting held on Wednesday, October 12, 2016 and Real Estate Committee meeting held on Wednesday, September 14, 2016.</i></p>
11-12-16 (VERBAL REQUEST)	R. Lorant, Cohen Milstein	<p>Requested Board memo re Securities Litigation monitoring selection.</p> <p><i>Transmitted 1 document.</i></p> <p><i>Sent via email BOI memo dated September 12, 2016 re Selection of Securities Litigation Monitoring and Evaluation Counsel.</i></p>

DATE RECEIVED	REQUESTER	DOCS REQUESTED
11-14-16	S. Yang, Pitchbook Data	<p>Requested copy of the quarterly public records from Q4 2015, Q1 2016, Q2 2016 and Q3 2016 (if available) of the following information at the partnership level re names and vintage years of all private equity, venture capital, mezzanine, distressed, real estate/REIT, debt and infrastructure partnerships.</p> <p><i>Transmitted 4 documents.</i></p> <p><i>Sent via email the following documents:</i></p> <ol style="list-style-type: none"> <i>1. Townsend 4thQ 2015 Portfolio;</i> <i>2. Townsend 1stQ 2015 Portfolio;</i> <i>3. Portfolio Investment Report as of March 31, 2016, and</i> <i>4. Portfolio Investment Report as of December 31, 2015.</i>
11-17-16	K. Kansal, Individual	<p>Requested copy of Q1 report for Private Equity.</p> <p><i>Transmitted 1 document.</i></p> <p><i>Sent via email Portfolio Investment Report as of March 31, 2016.</i></p>
11-17-16	R. Landis, As You Sow	<p><i>Requested most recent LACERA proxy voting report.</i></p> <p><i>Response sent via email stating that LACERA expects the report to be available in December 2016. As of the date of this request, LACERA does not have a responsive document.</i></p>

November 23, 2016

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

FROM: Sylvia Botros 
Benefit Protection Officer, Benefits Division

FOR: Operations Oversight Committee Meeting of December 7, 2016

SUBJECT: **THE BENEFIT PROTECTION UNIT**

BACKGROUND

Historically, the operational processes related to the verification of member identities and statuses were managed in a relatively decentralized manner. For example, the Death Match Process, also known as the "PBI Process," was performed by the Financial Accounting and Services Division (FASD) and Member Verification Process was handled by Internal Audit (IA). The assigned FASD and IA Staff would coordinate the case resolution efforts across various divisions, consisting of staff from Benefits, Member Services (MS), Quality Assurance (QA), FASD, Systems, Internal Audit, Legal Office, Executive Office, etc. The coordination of these processes have now been consolidated and centralized in the Benefit Protection Unit (BPU) within the Benefits Division.

THE BENEFIT PROTECTION UNIT

In alignment with LACERA's mission, the Benefit Protection Unit's purpose is to protect our members, their promised benefit and ultimately, the LACERA fund.

The unit addresses the following areas of risk:

- Potential impersonation of a member
- Fraud against a member or LACERA
- Lost contact with a member
- Concerns about a member's ability to manage their retirement affairs
- Physical or financial abuse
- Reported member deaths
- Periodic confirmations of member statuses.

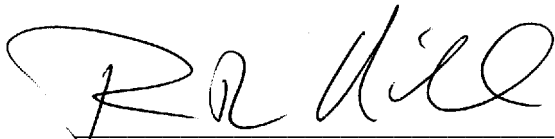
Each case is unique, but there are a number of indicators that an account might require the Benefit Protection Unit's attention, such as:

- Report of fraud
- Report of abuse (financial and/or physical)
- Legal representative issues (e.g., power of attorney, trust, etc.)
- Evidence suggesting LACERA has lost contact with the member/survivor/beneficiary
- Death report
- Erratic pattern of account changes and/or change reversals
- Non-member activity associated with the member's account

The Benefit Protection Unit analyzes each case, in collaboration with multiple LACERA divisions, and determines how best to resolve the case, with the member's well being in mind. The unit also has access to a number of outside resources to support their efforts, which include, CLEAR search, third party investigators, a handwriting specialist, Pension Benefit Information Inc., Adult Protective Services, etc. To date, the Benefit Protection Unit has reviewed over 200 cases and has resolved close to 98% of them.

Since inception, approximately one year ago, the Benefit Protection Unit has proven to truly add value to the organization by looking out for our members, providing a higher level of customer service, and ultimately safeguarding the fund.

REVIEWED AND APPROVED

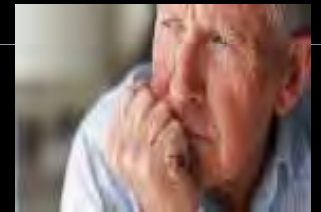
A handwritten signature in black ink, appearing to read "R Hill", written over a horizontal line.

Robert Hill

Assistant Executive Officer



Benefit Protection Unit



The Benefits Division

Presented By:

Sylvia Botros, *Benefit Protection Officer, CRMA*

Angel Calvo, *Benefit Protection Specialist*

What is the Benefit Protection Unit?

- Newest Addition to the Benefits Family
- Our team consists of 3 members, with combined experience in Internal Audit, Financial & Accounting Services, Member Services, and Benefits Divisions.
- BPU's Purpose: To Protect Our Members and Their Promised Benefit

What Do We do?

Member Verification Process

- Our team takes a closer, more in-depth look at a member's accounts when suspicious behavior has occurred and determines the appropriate resolution plan, which includes cross-functional collaboration with management.

PBI-Death Match Process

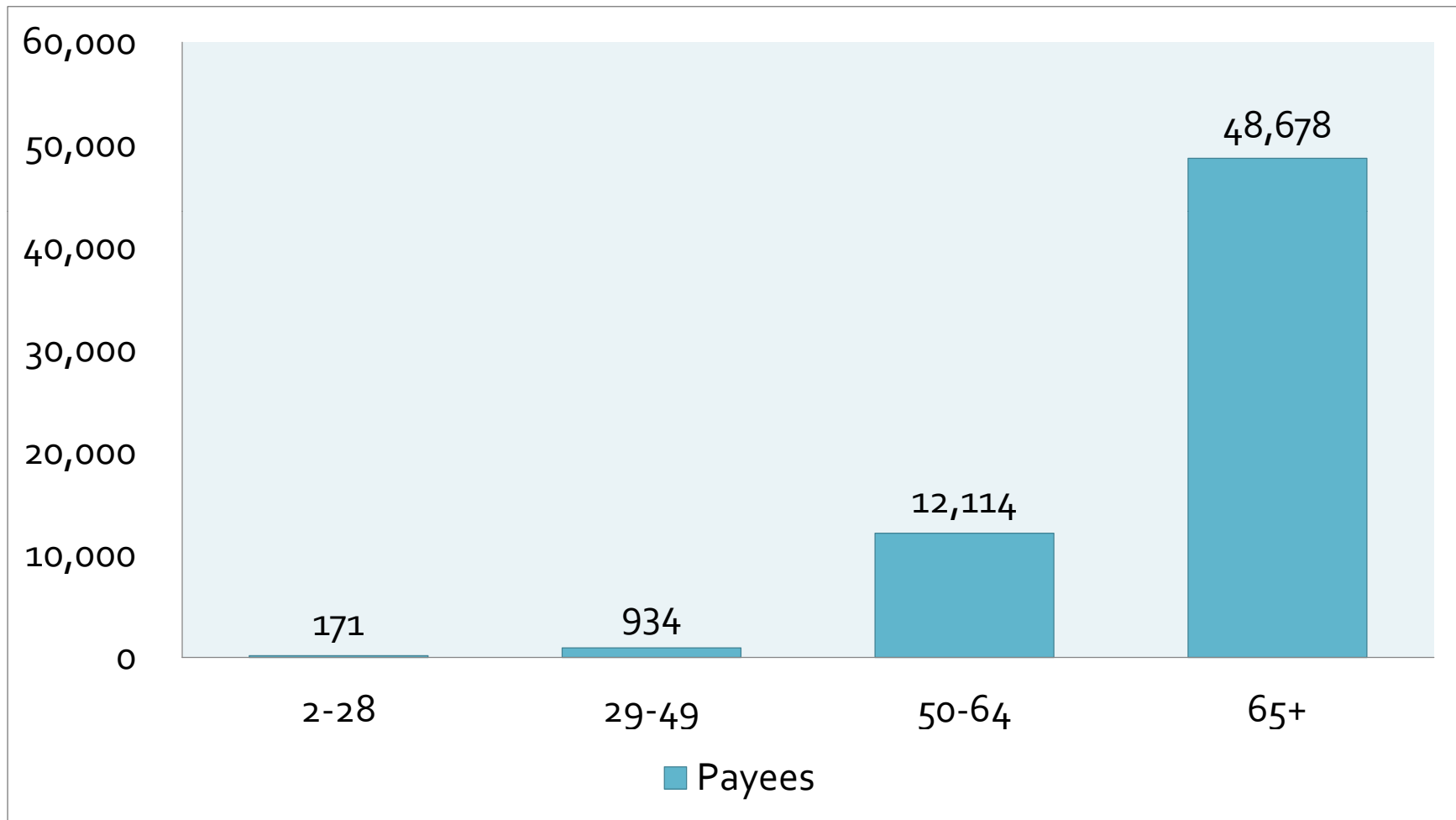
- Our team reconciles the death reports provided by Pension Benefit Information (PBI) and takes the appropriate actions to prevent overpayments.

BPU's Toolbox

- *CLEAR SEARCH*
- *SSN Online Verification*
- *Pension Benefit Information*
- *Third Party Investigators*
- *Handwriting Specialist*
- *External Contacts: Adult Protective Services, Public Guardian, Ombudsmen, Law Enforcement, etc.*
- *Internal Contacts: Partnerships with LACERA Divisions*



LACERA Payee Age Demographics



Member Verification Process

Types of Cases

BPU has Reviewed Over 200 Cases to-date

Most Common Theme:

- Member is No Longer Able to Handle Affairs due to Health

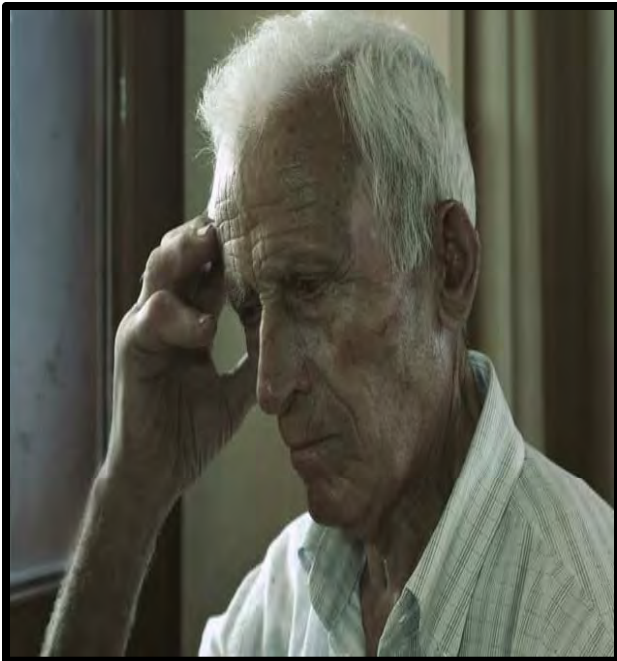
BPU's Case Count:

- Lost Contact (75 Cases)
- Death Notification Issue (55 Cases)
- Legal Representative Issue (45 Cases)
- Fraud (32 Cases)
- Abuse (2 Cases)



Unfortunate Situations

Member Profile #1



- 82 years old
- Member Receives Monthly Benefits by Direct Deposit
- Member's son has been appointed as Attorney In Fact (AIF) for LACERA Affairs
- Nursing Facility has Contacted LACERA to report the member is currently a resident and monthly fees have not been paid.

Unfortunate Situation

Member Profile #1-Case Resolution

- 1) Account Review-Recent Phone Calls, Letters, Account Changes.** *There was no contact from the member in 2 years, but the member's appointed AIF (and son), changed the direct deposit account 6 months previous.*
- 2) Investigator-sent to confirm member location, status, and benefit preferences.** *Member was residing in the facility but was incapacitated and unable to participate in the interview. The investigator could not get a hold of the member's AIF.*
- 3) Account Suspended and Case was reported to Adult Protective Services and to the Public Guardian.** *A Conservator was appointed for the member, the appropriate account changes were made, and the facility was paid accordingly.*

Unfortunate Situations



Member Profile #2

- 89 Years Old
- The member has not made contact with LACERA in 3 Years
- LACERA has received 3 different Power of Attorney documents, appointing various family members, along with several direct deposit account change forms.

Unfortunate Situation

Member Profile #2-Case Resolution

- **Account Review-Recent Phone Calls, Letters, Account Changes.** *The member's granddaughter and grandsons have called in several times to inquire about the member's benefits and claiming to be the member's Attorney In Fact. In the past 6 months, we have received 3 POA documents appointing different grandchildren and 3 direct deposit change forms, with questionable member signatures.*
- **Handwriting Specialist Referral.** *The Specialist confirmed the signatures are not consistent with the member's known signature.*
- **Investigator sent to confirm member location, status, and benefit preferences.** *The member was interviewed at a nursing facility she moved to 3 years ago and confirmed the questionable documents were fraudulent. She stated her husband handles her affairs. Her husband was present and provided the Power of Attorney document for LACERA. The member's account was updated and locked down to prevent future changes.*

Unfortunate Situations



Member Profile #3

- In 2011, our member fatally dies in a car accident, leaving his wife and 2 children behind.
- The wife is eligible for a life-time benefit but we are unable to locate her after several attempts.
- Case is considered “cold” and placed in an unclaimed status.

Unfortunate Situation

Member Profile #3-Case Resolution

- ***CLEAR search.*** *A search is run on the member and the surviving spouse. Phone numbers and a new address is found.*
- ***Contact Surviving Spouse.*** *The member's wife was contacted and new claim form was completed. She was paid a retroactive net amount of \$43K and is receiving \$1,200 a month benefit for life.*

Unfortunate Situations

Member Profile #4

- In 1998, our member passes away unexpectedly from health issues, leaving his 20 year old daughter behind.
- The daughter is eligible for her father's retirement contributions on account but we are unable to locate her after several attempts.
- Case is considered "cold" and placed in an unclaimed status.

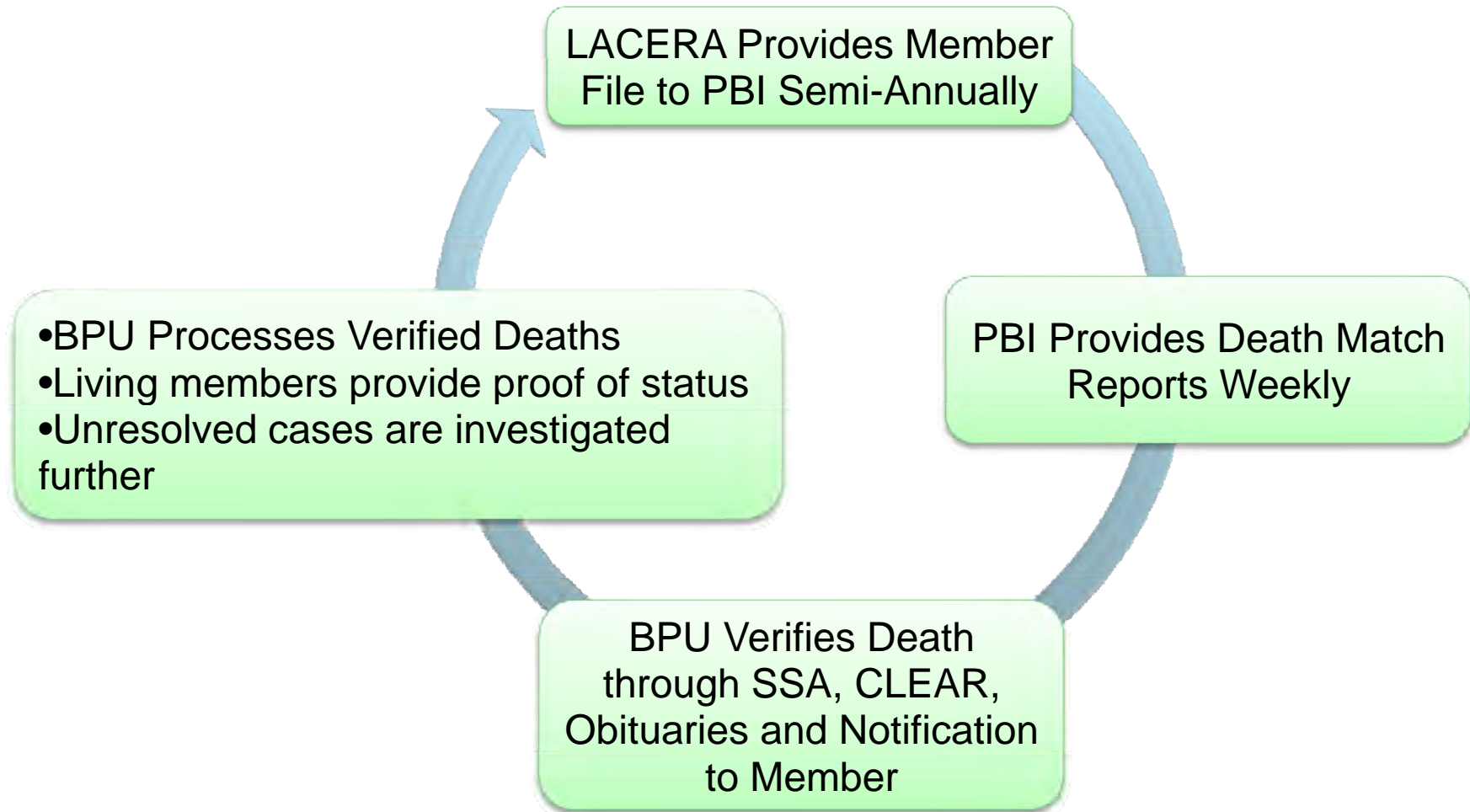


Unfortunate Situation

Member Profile #4-Case Resolution

- ***CLEAR search.*** *A search is run on the member and the daughter. Contact information was found for the daughter, who is currently an attorney for the Department of Justice in San Francisco.*
- ***Contact the Beneficiary.*** *The member's daughter was contacted and she explained she had lost both of her parents between 1997-1998. She was very young and scared to sign any documents pertaining to her parents. A new claim form was mailed and completed. She was paid a net lump-sum of 86K.*

Pension Benefit Information Death Match Process



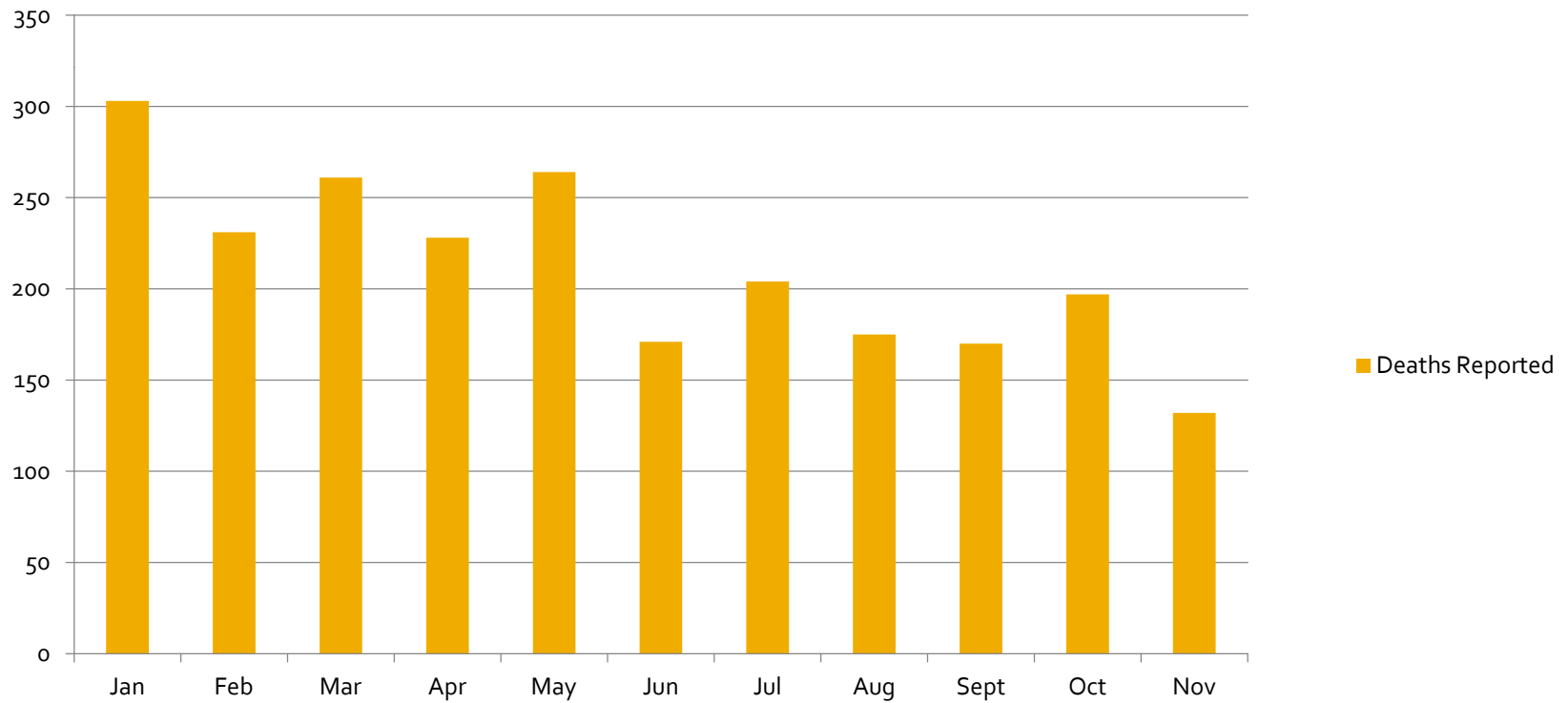
Pension Benefit Information Case Statistics

- PBI Population Consists of:
 - Retirees and survivors : **61,000+**
 - Dependents: **21,000+**
 - Active Members : **127,000+**
- On a monthly basis, 200+ death matches are reported to LACERA through PBI.



PBI Case Statistics

Monthly Retiree Deaths Audit Results



PBI Case Statistics

- Average benefit amount for retirees 65+ is \$3,037
- Average benefit amount for survivors 65+ is \$1,509
- 225 Payment Hold's placed from Jan 2016 – Nov 2016
- Prevented Overpayments of \$340,000-\$683,000



Our Team's Progress

- June 2016, Board of Supervisors Elder Abuse Awareness proclamation
 - ✓ *Connected with the Director of Community & Senior Services and the Program Director for Adult Protective Services*
- Featured in the September 2016 Postscript
- Established a designated attorney for the Benefit Protection Unit

What's on the Horizon?

- Training Organization-Wide
- The Annual Review of Foreign Payees
- The Review of Account Activity Close to the Member's Death
- The Review of High Risk Accounts Based on Internal Audit's Criteria
- The Review of "Cold Cases"



Thank You...






FOR INFORMATION ONLY

November 16, 2016

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

FROM: Derwin Brown 
Chief, Quality Assurance & Metrics Division

FOR: December 7, 2016 Operations Oversight Committee Meeting

SUBJECT: **QUALITY AUDIT REPORT FOR FISCAL YEAR 2015-2016**

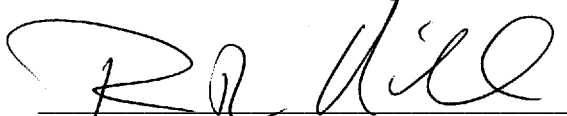
Attached for your review is the Quality Audit Report for the Fiscal Year 2015-2016.

This report has been organized to present data for the three distinct audits performed by QA & Metrics staff:

- In-Line Audit
- Classic Audit
- CORE Benefits Training Audit

I will be happy to answer any questions you may have regarding this report at the meeting.

REVIEWED AND APPROVED:



ROBERT HILL
Assistant Executive Officer

QUALITY ASSURANCE & METRICS

Annual Audit Reports: Integrated Audit
Program FY 2015-2016

AGENDA

- ◎ FY 2014 - 2015 Snapshot Report
- ◎ FY 2015 - 2016 Inline Audit and Classic Audit
- ◎ FY 2015 - 2016 QA CORE Training
- ◎ The Integrated Audit Program
- ◎ Continuous Improvement Efforts

FY 2014 -2015 SNAPSHOT REPORT

Inline Audit

- ⦿ Sampled 4,203 Transactions
- ⦿ Accuracy rate 96.4%

Classic Audit

- ⦿ Sampled 4,741 Transactions
- ⦿ Accuracy rate 97.3%

FY 2015 - 2016 INLINE AUDIT AND CLASSIC AUDIT

Inline Audit

- ◉ Sampled 4,305 Transactions
- ◉ Accuracy rate 97.5%
- ◉ Goal is to audit 75% of Production (Actual 90%)

FY 2015 - 2016 INLINE AUDIT AND CLASSIC AUDIT

Inline Audit Successes

- ◎ Previous Service improved since 2014
- ◎ Six processes benefited - TT, Gen2Saf, Mil/Fed, OPA, SWOP, and Redeposit
- ◎ Four of the six (66%) are High-Volume processes - Efficiency

FY 2015 - 2016 INLINE AUDIT AND CLASSIC AUDIT

Classic Audit

- ◉ Sampled 3,723 Transactions
- ◉ Accuracy rate of 96.0%

FY 2015 - 2016 INLINE AUDIT AND CLASSIC AUDIT

Classic Audit Successes

- ◉ Previous Service improved since 2014
- ◉ Measurement of Inline Audit effectiveness
- ◉ Direct Deposit and Federal Tax Election at 100% since 2014 (Federal Tax Election at 99.1% FY 15-16)

FY 2015 - 2016 QA CORE TRAINING

QA CORE Benefit Training Program utilizes the Inline Audit to:

- ◉ Measure effectiveness of training content
- ◉ Evaluate trainee's knowledge
- ◉ Validate accuracy of transaction

FY 2015 - 2016 QA CORE TRAINING

QA CORE Benefit Training

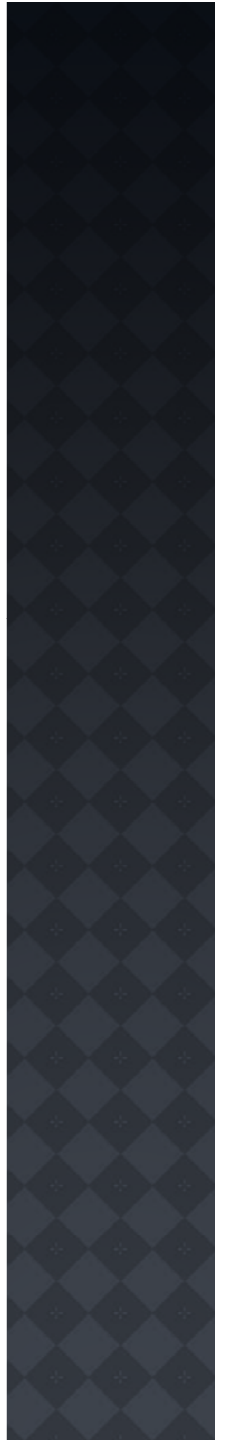
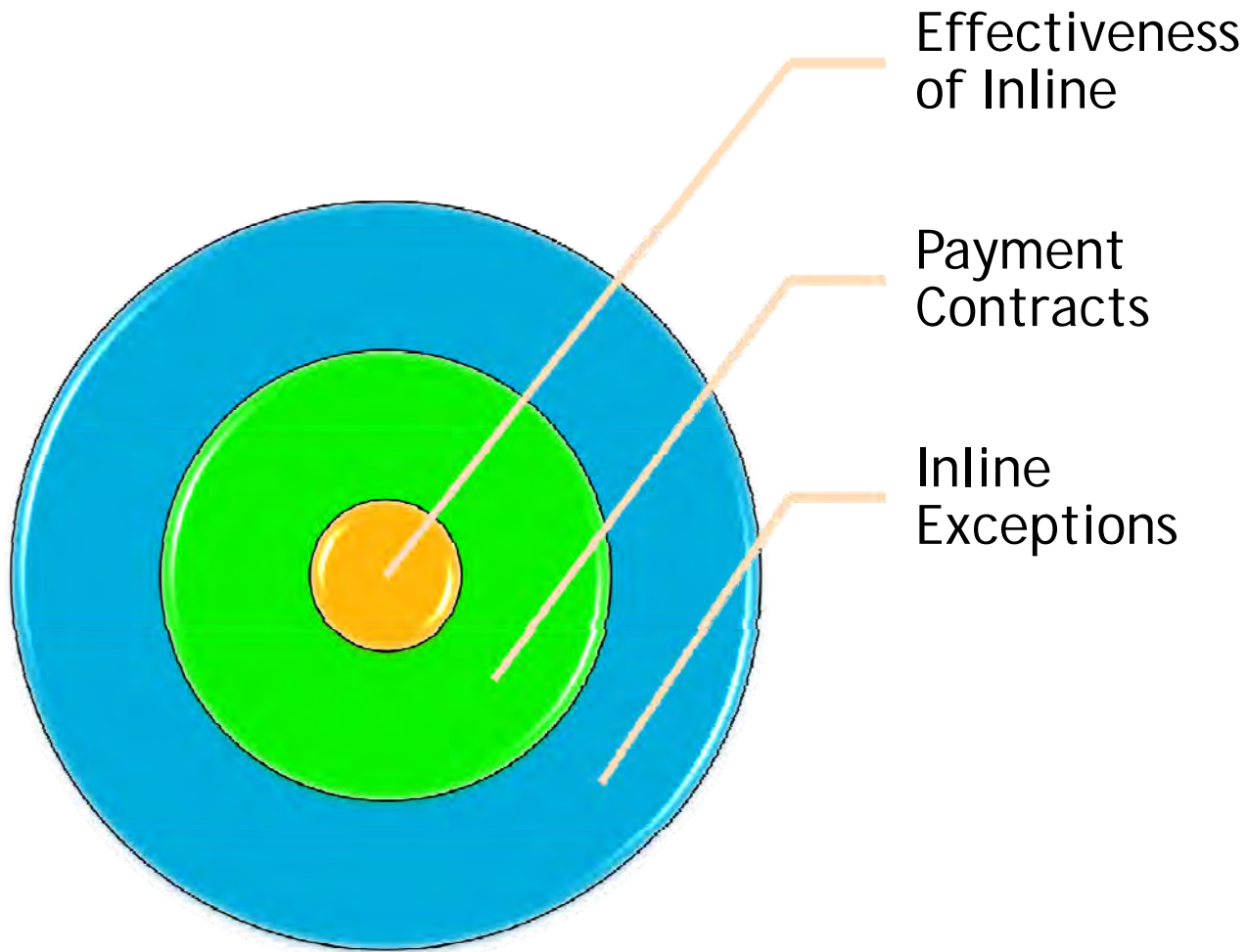
- Sampled 1,561 transactions
- Accuracy rate of 97.5%

THE INTEGRATED AUDIT PROGRAM

Combine Inline and Classic Audits to track findings/exceptions from the Inline Audit up to signed Payment Contracts.

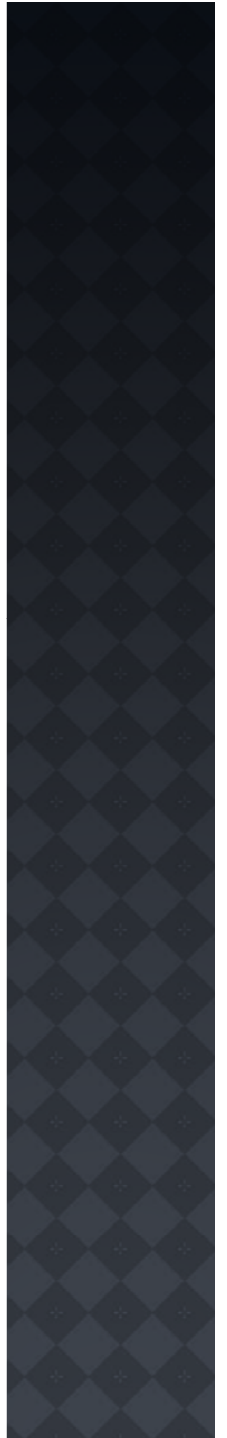
- ◉ Measure effectiveness of Inline Audit
- ◉ Analyze gaps between Inline Audit and Payment Contracts

THE INTEGRATED AUDIT PROGRAM



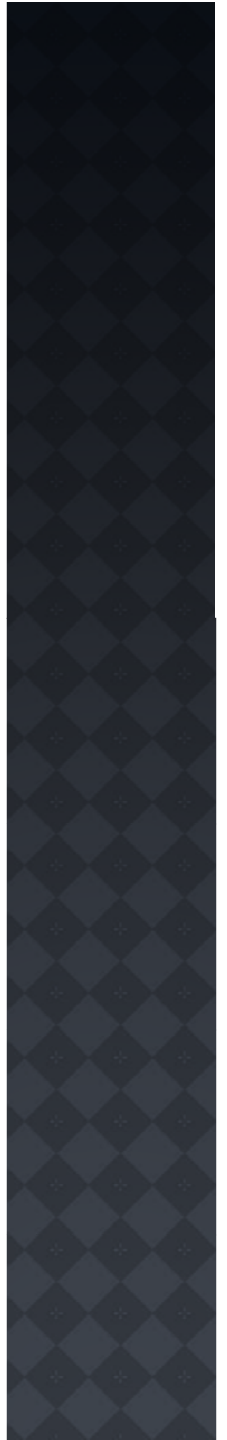
CONTINUOUS IMPROVEMENT EFFORTS

- ◎ Root Cause Analysis - In depth analysis
- ◎ Observation Audits - Progress report
- ◎ Inline Exception Reconciliation
- ◎ Consultation with Systems Division
- ◎ Internal discussions on Quality



QUALITY ASSURANCE & METRICS

Questions?



**REPORT OF THE
QUALITY ASSURANCE REVIEW
Fiscal Year 2015 – 2016**



NOVEMBER 2, 2016

Table of Contents

Introduction	2
Commentary on the Quality Audit	3
Background	3
Executive Summary	3
Table 1: Production Samples and Accuracy by Audit Program	3
▶ In-Line Audit	4
Table 2: Accuracy by Year	4
Table 3: Accuracy by Process	4
▶ Classic Audit	5
Table 4: Accuracy by Process	5
▶ CORE Benefits Training Audit	6
Table 5: Accuracy by Year	6
Table 6: Accuracy by Process	6
Improvement Opportunities	7
Table 7: Categories of Improvement	7
Conclusions	9
Five Year Comparative Tables and Charts – Classic Quality Audit	10
Table A: Accuracy 2012-2016	10
Table B: Samples Audited 2012-2016	11
Table C: Exceptions 2012-2016	12
Appendix A – Management Statement and Action Plan	13
Appendix B – Methodology of Classic Quality Audit	14
Conducting the Quality Audit	14
Handling Audit Exceptions	14
Calculating Accuracy Rates	16
Appendix C – The Five Attributes of an Audit	19

Introduction to the Quality Audit

The Quality Assurance and Metrics Division was envisioned as a quality monitoring operation for LACERA as an organization.

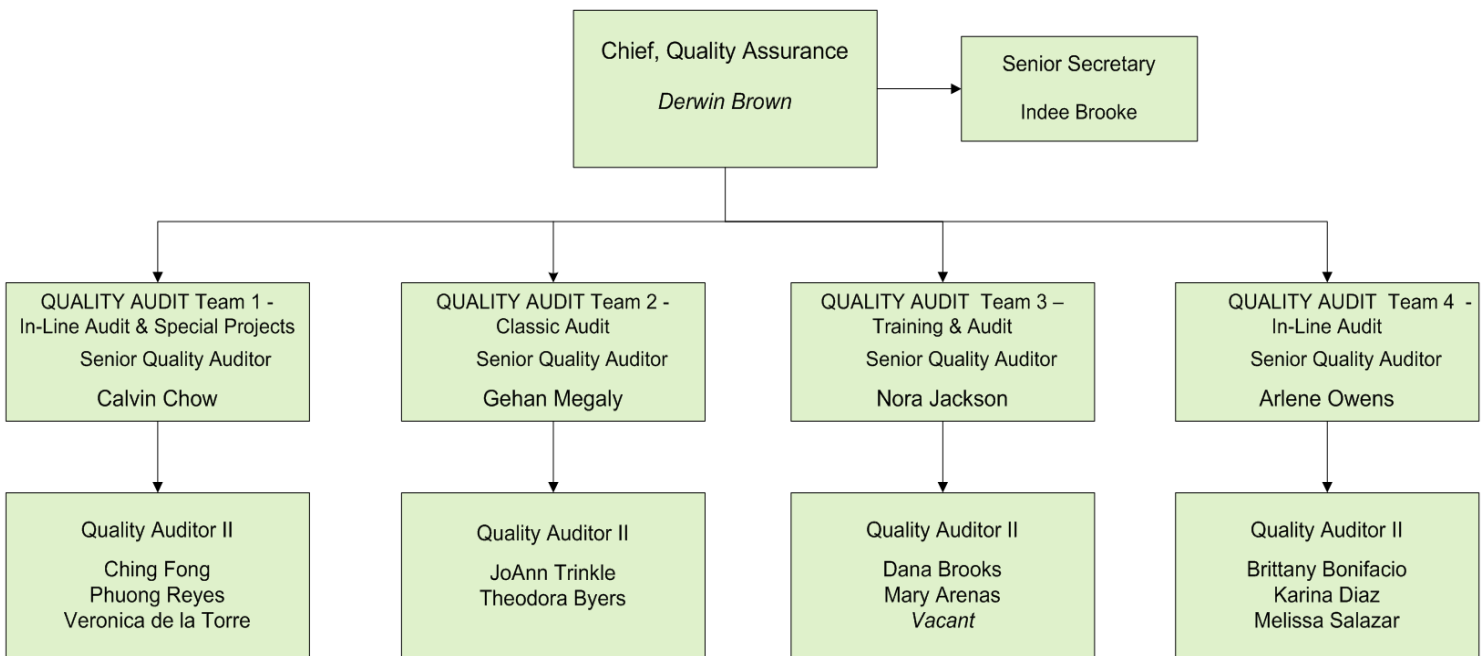
► Current Audit Operations

The quality audit has been applied to member transactions and the processing of member requests by the Benefits and the Member Services Divisions.

► Quality Assurance and Metrics Division

QA staff who conduct the audit, perform root cause analysis, make recommendations, and maintain the electronic means of doing so are:

Arlene Owens, Brittany Bonifacio, Calvin Chow, Ching Fong, Dana Brooks, Derwin Brown, Gehan Megaly, Indee Brooke, JoAnn Trinkle, Karina Diaz, Mary Arenas, Melissa Salazar, Nora Jackson, Phuong Reyes, Theodora Byers, Veronica de la Torre



Background

The Quality Assurance & Metrics Division was established to achieve the following long-term goals:

- Limit the amount of errors that reach our members
- Review the business process internal controls
- Provide recommendations for improvements to business processes
- Ensure compliance with Retirement Law
- Evaluate and assess performance standards and production accuracy
- Report performance standards and production accuracy
- Determine staff training needs
- Design, develop, and deliver training
- Provide feedback on performance of new-hire training participants
- Review and rewrite benefits-related work procedures for training purposes
- Evaluate customer service accuracy levels

Executive Summary

Quality Assurance & Metrics perform three (3) types of audits. These audits are the Inline Audit, the Classic Audit, and the CORE Benefit Training Audit. The Inline and Classic Audits are on an ongoing basis. The CORE Benefit Training Audit occurs during new-hire training. For purposes of these audits, the minimum acceptable accuracy rate is currently set at 95%. As required by LACERA, all exceptions are corrected prior to the completion of the transaction and before reaching the member. There are no outstanding exceptions for fiscal year 2015-2016. Table 1 shows the “Production Samples and Accuracy by Audit Program for Fiscal Year 2015-2016.”

Production Samples and Accuracy by Audit Program FY 2015-2016

	Production Samples	Accuracy
Inline Audit	4,305	97.20%
Classic Audit	3,723	95.98%
CORE Training	1,561	97.15%
TOTALS	9,589	96.78%

TABLE 1

► **Inline Audit**

The *purpose* of the Inline Audit is to assess and identify data anomalies and calculation errors earlier on in the process of fulfilling a member’s request. This will prevent errors from reaching the member and will allow LACERA to maintain member satisfaction.

The *scope* of the Inline Audit is to measure and determine the performance and accuracy of business transactions early on in the process and staff’s individual performance.

In fiscal year 2015-2016, the Inline Audit reviewed 15 business processes. The sampling method is based on an agreement with Benefits Division to upload 100% of the production in the Inline Audit. Quality Assurance’s goal for fiscal year was to audit up to 75% of the total production.

The number of members’ transactions audited in the Inline was 4,305. The Inline Audit captured 446 exceptions before they could impact the members. As a requirement, all exceptions are corrected prior to completion of transaction and before reaching the member.

Overall, the accuracy rate increased from the last fiscal year by 1.6% from 95.6% to 97.2% as shown in Table 2.

	2016	2015
Accuracy	97.20%	95.59%
Samples	4,305	4,229
Exceptions	446	674

TABLE 2

There were 9 out of 15 processes that met the targeted accuracy rate of 95% and above. These were:

95% and Above	94.9% and Below
1. 30 Year Cancellation	1. Redeposit
2. Incremental Buyback	2. General to Safety
3. Active Member Death	3. Plan Transfer
4. Other Public Agency	4. Military/Federal
5. Reciprocity	5. Age/Rate Change
6. Retirement Estimate	6. Plan E Recission
7. SWOP(sick without pay)	
8. Temporary Time	
9. Termination Letters	

TABLE 3

► **Classic Audit**

The *purpose* of the Classic Audit is to assess processes by risk levels using agreed upon criteria to identify those that require immediate in-depth study for improvements (Root Cause Analysis) and determine the accuracy rate of randomly selected samples of transactions. The purpose is to also evaluate and assess the business processes to create metrics for establishing performance and accuracy standards and evaluate areas that may be subject to intensive review and revision of process documentation.

The *scope* of the Classic Audit is to measure and determine the performance and accuracy of business processes as a completed transaction and staff’s individual performance.

In fiscal year 2015-2016, the Classic Audit reviewed 12 business processes using random sample selection of completed transactions.

The number of members’ transactions audited was 3,723 with 1,132 exceptions. As a requirement, all exceptions are corrected prior to the implementation of the member’s request in Workspace.

Overall, the accuracy rate decreased from the last fiscal year by 1.3% from 97.3% to 96% as shown in Table A (page 10). One of the contributing factors to the decrease was the transfer to the Inline Audit of two Classic Audit processes (Termination Letters and Withdrawals) that have been above 98% since 2014.

There were 10 out of 12 processes that met the targeted accuracy rate of 95% and above. These were:

95% and Above	94.9% and Below
1. Beneficiary Change	1. Active Member Death
2. Direct Deposit	2. Plan Transfer
3. Federal/State Tax	
4. General to Safety	
5. Military/Federal	
6. Other Public Agency	
7. Redeposit	
8. SWOP(Sick without pay)	
9. Temporary Time	
10. Service Retirement Agenda	

TABLE 4

► **CORE Benefit Training Audit**

The *purpose* of the CORE Benefit Training Audit is to assess new-hires abilities in processing members’ requests based on foundational core training and to provide audit feedback in a safe learning environment. The Training Audit also ensures members’ requests are in compliance and accurate before completion and mailing.

The *scope* of the CORE Benefit Training Audit is to measure and determine the performance and accuracy of the trainee’s individual performance.

In fiscal year 2015-2016, the CORE Benefit Training Audit reviewed 13 business processes using 100% sampling selection.

The number of members’ transactions audited was 1,561 with 378 exceptions. As a requirement, all exceptions are corrected prior to completion and before reaching the member.

Overall, the accuracy rate decreased from the last fiscal year by 1.1% from 98.3% to 97.2% as shown in Table 5.

	2016	2015
Accuracy	97.15%	98.27%
Samples	1,561	1,678
Exceptions	378	312

TABLE 5

There were 11 out of 13 processes that met the targeted accuracy rate of 95% and above.

95% and Above	94.9% and Below
1. Retirement Estimates	1. Redeposit
2. 30 year Cancellation	2. Open Window Plan Transfer
3. General to Safety	
4. Incremental Buyback	
5. Prospective Plan Transfer	
6. Other Public Agency	
7. SWOP(sick without pay)	
8. Temporary Time	
9. Reciprocity	
10. Termination Letters	
11. Military/Federal	

TABLE 6

Improvement Opportunities

The overall accuracy and performance of the business processes exceeds the set level of accuracy of 95%. There are several improvement opportunities for the business processes derived from observations in the Inline Audit, Classic Audit, and CORE Training Audit. Table 7 lists the categories of opportunities to improve:

Category	Improvement Opportunity
Account Documentation in Workspace	<ul style="list-style-type: none"> a. Create mandatory Payment Contract Checklist in Workspace. b. Provide detailed comments on actions taken on members account. c. Always document member's account detailing the status of his/her reciprocity: denied, broken, or established.
Member Retirement Account Analysis	<ul style="list-style-type: none"> a. Review entire account to determine eligibility. b. Review microfiche to determine missing service credit. c. Coaching / Training on how to properly interpret microfiche data. d. Validate salaries that are ACTUAL which are greater than SCHEDULED for retro pay and service credit updates. e. OASDI should match Service Credit from membership up to Dec. 31, 1982. f. Ensure that the member's initial plan is verified to determine eligibility for purchases.
Retirement Agenda Validation	<ul style="list-style-type: none"> a. Ensure buybacks are within FAC range. b. Ensure correct retirement option is entered in Workspace. c. Ensure that all required correspondence is mailed to member during retirement phase as this is the last opportunity for the member to make enhancements. d. Always complete Salary Analysis worksheets to ensure inflations have been resolved before member is placed on agenda. e. Link necessary microfiche to verify pre-conversion service credit.

[continued on next page]

TABLE 7

Category	Improvement Opportunity
<p>Calculation Best Practices</p>	<ul style="list-style-type: none"> a. Always access the division shared drive to use the most up-to-date calculation worksheet. b. Always review previous service date ranges and breaks in service to determine if multiple cost letters are needed for each separate period. c. There are currently only 12 entries available for the SWOP calculation on Workspace. If the SWOP period is from 11/16/14 through 11/15/15, combine some entries BUT be sure to combine those that are in the same interest period. For example, do not combine Dec. 2014 and Jan. 2015 into one entry. d. Validate member has physically returned to work before calculating SWOP. e. Ensure correct employer rates are used for a General to Safety Conversion. f. Access most current business procedures. g. Review calculations before submitting to Inline Audit. h. Always check the Application or Workspace comments for member's marital status and estimated retirement date. If the required information is not yet documented under the member's account, initiate contact to the member to obtain the information.
<p>Cost Notification Letter and Payment Contracts</p>	<ul style="list-style-type: none"> a. Ensure expiration dates are updated on cost letter prior to mailing to member. b. When multiple cost letters are sent to the members, be sure to place a comment on the Payment Contract as to which contract must be purchased first. c. Payment Schedule must agree with data in Workspace and on Cost Notification Letter. d. Review all information on Cost Letter and Payment Schedule before submitting to Inline, check for typos.

TABLE 7

Conclusions

The Quality Assurance & Metrics Division is committed to improving benefits related processes through continuous monitoring, assessments, and evaluations. We incorporate data from the three (3) audits to design and develop custom training to address areas in which more experience and knowledge would prove to be effective in improving individual and overall accuracy.

The Quality Assurance & Metrics Division is also committed to ensuring business processes are in compliance with retirement law and LACERA's best practices. To fulfill this commitment, we communicate exceptions using the following five (5) attributes:

1. Criteria
2. Condition
3. Cause
4. Effect(s) / Consequence(s)
5. Recommendation

The exceptions are communicated in real-time so that the request is processed accurately and in a timely manner before reaching the member. As required by LACERA, all exceptions are corrected prior to completion of the request and prior to implementation in Workspace.

Our contribution to LACERA's quality eco-system is on an ongoing basis and includes activities such as root cause analysis, trend analysis, process review, observation audits, production analysis, Inline exception reconciliation, and custom designed training. To further our contribution to the quality eco-system, Quality Assurance will consult with LACERA's Systems Division to explore their perspective(s) on what area(s) of benefits-related processes should be audited and monitored to ensure compliance and alignment with LACERA's best practices. We are hopeful that these efforts will lead to additional increases in accuracy with the ultimate goal being 100% accuracy.

Table A – Classic Audit – ACCURACY

Comparative Accuracy Rates from Fiscal Years ending 2012-2016

Process	2016	2015	2014	2013	2012	% Increase (-Decrease)			
						2015-16	2014-15	2013-14	2012-13
*30 Year Cancellation	0.00%	0.00%	99.37%	96.27%	96.68%	-	-	3.10%	-0.41%
~Account Verification	0.00%	95.98%	91.52%	91.96%	96.85%	-	4.46%	-0.44%	-4.89%
Death	90.00%	99.10%	98.98%	100.00%	99.53%	-9.10%	1.20%	-1.02%	0.47%
~Correspondence	0.00%	95.14%	97.17%	97.75%	96.59%	-	-2.03%	-0.58%	1.16%
<i>Data Input:</i>									
§ a) Address Change	0.00%	100.00%	95.12%	97.73%	99.62%	-	4.88%	-2.61%	-1.89%
b) Beneficiary Change	96.13%	97.54%	95.36%	96.27%	97.80%	-1.41%	2.18%	-0.91%	-1.53%
c) Direct Deposit	100.00%	100.00%	100.00%	99.21%	99.86%	0.00%	0.00%	0.79%	-0.65%
d) Federal / State Tax	99.05%	100.00%	100.00%	96.18%	99.07%	-0.95%	0.00%	3.82%	-2.89%
§ e) Name Change	0.00%	0.00%	0.00%	0.00%	100.00%	-	-	-	-
~Disability Retirement Agenda	0.00%	97.22%	97.11%	97.18%	97.60%	-	0.11%	-0.07%	-0.42%
<i>Fund Disbursement:</i>									
~ a) Refund	0.00%	100.00%	100.00%	100.00%	99.87%	-	0.00%	0.00%	0.13%
~ b) Withdrawal	0.00%	100.00%	100.00%	99.95%	99.94%	-	0.00%	0.05%	0.01%
New Enrollment	0.00%	99.56%	99.52%	98.73%	99.13%	-	0.04%	0.79%	-0.40%
~Plan Transfer	92.62%	96.68%	93.26%	93.39%	94.56%	-4.06%	3.42%	-0.13%	-1.17%
<i>Previous Service</i>									
† a) ARC	0.00%	100.00%	97.85%	98.66%	0.00%	-	2.15%	-0.81%	-
b) General to Safety	95.00%	100.00%	91.55%	95.06%	0.00%	-5.00%	8.45%	-3.51%	-
c) Military / Federal Time	99.38%	99.15%	97.08%	97.37%	0.00%	0.23%	2.07%	-0.29%	-
d) OPA	97.65%	98.85%	96.86%	98.00%	0.00%	-1.20%	1.99%	-1.14%	-
e) Redeposit	95.00%	95.50%	94.60%	93.77%	0.00%	-0.50%	0.90%	0.83%	-
f) SWOP	97.89%	99.62%	96.41%	97.89%	0.00%	-1.73%	3.21%	-1.48%	-
g) Temporary Time	97.74%	98.77%	96.78%	97.67%	0.00%	-1.03%	1.99%	-0.89%	-
<i>Purchase Contracts</i>									
~ a) Contract Rollover	0.00%	100.00%	99.47%	100.00%	99.28%	-	0.53%	-0.53%	0.72%
~ b) Contract Setup	0.00%	99.19%	99.02%	99.23%	99.06%	-	0.17%	-0.21%	0.17%
*Reciprocity	0.00%	98.20%	94.77%	95.84%	92.58%	-	3.43%	-1.07%	3.26%
*Termination Letters	0.00%	98.44%	93.64%	91.94%	93.99%	-	4.80%	1.70%	-2.05%
~First Retirement Payment	0.00%	97.53%	97.26%	93.10%	92.67%	-	0.27%	4.16%	0.43%
Service Retirement Agenda	95.58%	96.63%	96.14%	95.45%	96.55%	-1.05%	0.49%	0.69%	-1.10%
AVERAGE	95.98%	97.27%	96.73%	97.62%	97.14%	-1.29%	0.54%	-0.89%	0.48%

• These processes are now InLine Audit ~ Re-start audit in 2016 § Member self-serve option † Audit ended 12/31/2012

Table B – Classic Audit – SAMPLES AUDITED

Number of Samples from Fiscal Years ending 2012 to 2016

Process	2016	2015	2014	2013	2012	# Increase (-Decrease)				
						2015-16	2014-15	2013-14	2012-13	
30 Year Cancellation	0	0	84	104	100	-	-	-20	4	
Account Verification	0	54	108	80	195	-	-54	28	-115	
Death	1	115	252	96	272	-114	-137	156	-176	
Correspondence	0	61	129	108	294	-	-68	21	-186	
<i>Data Input:</i>										
a) Address Change	0	20	26	34	161	-	-6	-8	-127	
b) Beneficiary Change	281	16	61	93	461	265	-45	-32	-368	
c) Direct Deposit	105	75	76	107	406	30	-1	-31	-299	
d) Federal / State Tax	105	50	108	142	444	55	-58	-34	-302	
e) Name Change	0	0	0	0	15	-	-	-	-	
Disability Retirement Agenda	0	4	61	68	125	-	-57	-7	-57	
<i>Fund Disbursement:</i>										
a) Refund	0	30	78	81	202	-	-48	-3	-121	
b) Withdrawal / Rollover	0	68	182	141	252	-	-114	41	-111	
New Enrollment	0	61	151	164	375	-	-90	-13	-211	
Plan Transfer	39	110	174	116	193	-71	-64	58	-77	
<i>Previous Service</i>										
a) ARC	0	1	71	6,353	0	-	-70	-6,282	-	
b) General to Safety	9	16	79	42	0	-7	-63	37	-	
c) Military / Federal Time	35	75	195	122	0	-40	-120	73	-	
d) OPA	25	132	413	177	0	-107	-281	236	-	
e) Redeposit	10	58	242	62	0	-48	-184	180	-	
f) SWOP	72	112	485	194	0	-40	-373	291	-	
g) Temporary Time	202	428	1,654	675	0	-226	-1,226	979	-	
<i>Purchase Contracts:</i>										
a) Contract Rollover	0	35	85	80	125	-	-50	5	-45	
b) Contract Setup	0	209	758	601	1,143	-	-549	157	-542	
Reciprocity	0	107	255	184	378	-	-148	71	-194	
Termination Letters	0	42	137	163	225	-	-95	-26	-62	
First Retirement Payment	0	69	210	127	408	-	-141	83	-281	
Service Retirement Agenda	2,839	2,792	2,820	2,777	2,607	47	-28	43	170	
TOTAL	3,723	4,740	8,894	12,891	8,381	-256	-4,070	-3,997	-3,100	

Table C – Classic Audit – EXCEPTIONS

Number of Exceptions from Fiscal Years ending 2012 to 2016

Process	2016	2015	2014	2013	2012	# Increase (-Decrease)			
						2015-16	2014-15	2013-14	2012-13
30 Year Cancellation	0	0	6	17	16	-	-	-11	1
Account Verification	0	4	22	14	16	-	-18	8	-2
Death	1	2	12	0	10	-1	-10	-	-
Correspondence	0	8	14	12	26	-	-6	2	-14
<i>Data Input:</i>									
a) Address Change	0	1	2	6	6	-	-1	-4	0
b) Beneficiary Change	24	1	6	8	25	23	-5	-2	-17
c) Direct Deposit	0	0	0	1	1	-	-	-	0
d) Federal / State Tax	2	1	2	7	7	1	-1	-5	0
e) Name Change	0	0	0	0	0	-	-	-	-
Disability Retirement Agenda	0	2	20	19	30	-	-18	1	-11
<i>Fund Disbursement:</i>									
a) Refund	0	2	1	1	3	-	1	0	-2
b) Withdrawal / Rollover	0	0	3	3	1	-	-	0	2
New Enrollment	0	2	17	15	18	-	-15	2	-3
Plan Transfer	6	21	45	30	36	-15	-24	15	-6
<i>Previous Service</i>									
a) ARC	0	0	3	489	0	-	-	-486	-
b) General to Safety	5	0	22	13	0	-	-	9	-
c) Military / Federal Time	8	7	41	33	0	1	-34	8	-
d) OPA	6	10	106	29	0	-4	-96	77	-
e) Redeposit	2	13	68	28	0	-11	-55	40	-
f) SWOP	5	4	81	51	0	1	-77	30	-
g) Temporary Time	36	18	393	148	0	18	-375	245	-
<i>Purchase Contracts:</i>									
a) Contract Rollover	0	1	5	1	5	-	-4	4	-4
b) Contract Setup	0	12	61	23	61	-	-49	38	-38
Reciprocity	0	15	50	29	67	-	-35	21	-38
Termination Letters	0	2	37	48	48	-	-35	-11	0
First Retirement Payment	0	6	18	16	69	-	-12	2	-53
Service Retirement Agenda	1,037	862	947	820	746	175	-85	127	74
TOTAL	1,132	994	1,982	1,861	1,191	138	-988	121	670

Appendix A – Management Statement and Action Plan

LACERA has adopted a comprehensive strategy to create lasting improvements in the quality of service provided to our members. Dubbed the "Quality Ecosystem," it involves:

- Recruitment efforts focused on bringing in candidates with strong analytical and communication skills, as well as work habits consistent with LACERA's values.
- Comprehensive Core Benefits Training conducted by Quality Assurance for new hires.
- Annual assignment rotations enabled by extensive cross-training of Core Benefits teams and modular refresher training. This approach has increased LACERA's adaptability and responsiveness to our member's needs.
- Inline Auditing conducted before work reaches LACERA's members, thereby increasing the quality of the final product. This complements the classic audits, forming a comprehensive audit approach.
- A New Process Management approach for documenting, coordinating, and improving Benefit Processes, spearheaded by the new Process Management Group in the Benefits Division.

The Benefits Division acknowledges the challenges involved in aggressively pursuing these comprehensive quality strategies. For example, individual quality may lag when staff are first introduced to unfamiliar training and procedures. Even so, LACERA has successfully enhanced the quality of service we deliver to our members, even in this dynamic and ever-changing environment, largely due to the support of Quality Assurance and the other quality partners who "watch our backs" every day.

The Benefits Division counts on Quality Assurance's constructive feedback and will implement Quality Assurance's recommendations as fully and as closely as possible. With that said, all Benefits Staff are reminded that our Quality Ecosystem can reach its full potential only when strong teamwork is matched by each individual's dedication to giving their personal best for our members.

Appendix B – Audit Methodology for Classic Audit

How is QA’s Classic Audit conducted?

The Quality Assurance and Metrics Division performs monthly audits of completed transactions per staff and per process for the Claims Processing and Member Services Divisions in order to identify areas of improvement. The processes to be audited were determined in agreement with the respective divisions according to the level of risk assessed prior to conducting the audit. Each process was then broken down into several agreed upon audit criteria (approved and accepted by the Claims Processing and Member Services divisions) as shown in Appendix A. For example, the Previous Service process has the following criteria, risk levels and weight of each criterion.

Criteria	Risk	Weight
Eligibility	HIGH	35%
Calculations	HIGH	35%
Salary (if applicable)	AVERAGE	15%
Retirement Contribution Rate	AVERAGE	5%
Estimated Retirement Date (if applicable)	AVERAGE	5%
1-page cost estimate letter/ Cost Letters/ Documents scanned	AVERAGE	5%

Audit criteria are the check points used by QA staff in auditing each sample or transaction. “Pass”, “Fail”, and “N/A” marks on these audit criteria or check points determine the accuracy rate per staff, per process, and per division.

The number of samples to be checked monthly for each process is determined by using non-statistical sampling and random selection of the number of completed work objects completed by each staff. The number of completed work objects for each staff per process is extracted from the workflow reports. A percentage of the completed work objects per staff is sampled. QA ensures that if a staff member completed only one transaction for a process for the month, that transaction is audited.

How are audit exceptions handled?

QA’s audit exceptions arise from deviations from the agreed upon criteria. For example, a sample of a completed transaction under the Previous Service process is reviewed and QA staff finds that the calculation of contract cost was erroneous, QA staff marks the “Calculation” criteria with a “Fail.” This results in an exception.

Exceptions are coded and categorized according to the impact they have on the organization. An exception recorded for a sample is categorized as shown in the following table.

Exception Code / Category	Description
C	Critical Exception. These exceptions have financial impact on the organization and affect staff's accuracy rate and the overall accuracy rate of the process. For example, incorrect calculation of cost letters sent to members.
G	General Exception. These exceptions have no financial impact on the organization. They affect staff's accuracy rate and the overall accuracy rate of the process. For example, confirmation letters not scanned in the MDL or comments not written in the Workspace Comments screen after completing the processing of a transaction.
O	Other Exception. These exceptions are those that are beyond the scope of a specific process' criteria or exceptions that are directed to other staff who are not the staff indicated in the sample. The errors were not caused by the staff in the audit focus and therefore have no affect on staff's accuracy rate and the overall accuracy rate of the process. The purpose of "Other Exceptions" is to communicate to the divisions that a corrective action is required.
X	Immediate Action Exception. Other findings that require immediate action.

CORRECTIVE ACTION

All exceptions are communicated to the divisions in real-time and are distributed to supervisors and staff for immediate corrective actions. After the divisions have corrected the exceptions, these are then returned to QA for another review. QA reviews the responses to the exceptions and marks each exception as one of the following:

- A** = Accepted (exception was resolved)
- CR** = Correction still Required
- NA** = No longer Applicable (the exception is no longer an issue due to changes in the member's account subsequent to the audit)

As required by LACERA, all exceptions with "CRs" are considered outstanding exceptions that are regularly monitored until the exception is resolved. After the exception is resolved, the member's request can be completed.

How are accuracy rates calculated?

As mentioned earlier, each sample is checked against the agreed upon criteria or check points.

EXAMPLE: in the audit month, the total of completed work objects for the Previous Service process is three. Because there are only three completed work objects, QA would sample 100% of the completed work objects. Workflow shows that Specialist A completed two of these work objects while Specialist B completed one and the table below shows the results of the audit review.

	Eligibility	Calculations	Salary	Retirement Contribution	Estimated Retirement Date	Cost letter / Documents scanned	
	35%	35%	15%	5%	5%	5%	= 100%
	7	7	3	1	1	1	= 20
Sample 1 (Specialist A)	Pass	Fail	Fail	Pass	Pass	Pass	
Sample 2 (Specialist A)	Pass	Pass	Pass	Pass	Pass	Fail	
Sample 3 (Specialist B)	Pass	Fail	N/A	N/A	N/A	Pass	

To be able to calculate the accuracy rate, we know that Previous Service has 6 criteria or check points. We then assign each criterion a value depending on the assigned weighted value, which is based on the level of risk and the criterion’s importance to the business process.

ACCURACY RATE FOR SPECIALIST A

The criterion factors used to determine the accuracy rate of the two Previous Service transactions completed by Specialist A can be viewed as shown here. The % value for each criterion is shown on line 2 (total = 100%); the weighted numeric value assigned to each criterion is shown on line 3 (total = 20).

	Eligibility	Calculations	Salary	Retirement Contribution	Estimated Retirement Date	Cost letter / Documents scanned	
	35%	35%	15%	5%	5%	5%	= 100%
	7	7	3	1	1	1	= 20 value
Sample 1 (Specialist A)	Pass	Fail	Fail	Pass	Pass	Pass	10/20 = (50%)
Sample 2 (Specialist A)	Pass	Pass	Pass	Pass	Pass	Fail	19/20 = (95%)
Accuracy by individual criterion	14/14 = 100%	7/14 = 50%	3/6 = 50%	2/2 = 100%	2/2 = 100%	1/2 = 50%	[29/40 = total accuracy rating]

Specialist A's accuracy rate is then calculated using the data for all the samples. The overall accuracy rate for Previous Service would be calculated as follows:

1. the total value of the criteria with the "Pass" mark (Sample 1, value 10 + Sample 2, value 19 = 29 total)
2. is divided by the total value of all applicable criteria in this sample (Sample 1, value 20 + Sample 2, value 20 = 40 total)
3. which is equal to a 72.50% overall accuracy rate on the two previous service transactions completed by Specialist A

ACCURACY RATE FOR SPECIALIST B

Specialist B's accuracy rate on the single sample transaction is calculated as follows:

1. the total value of the criteria with the "Pass" mark (see bottom line of grid: total accuracy criteria = 8)
2. is divided by the total value of all applicable criteria in this sample
 - See 2nd line of grid: total value of pertinent criteria = 15 out of 20 since 5 are not applicable to Sample 3.
 - See 3rd line (audit analysis of sample) where N/A status is indicated under each inapplicable criterion.
3. which is equal to a 53.33% accuracy rate on the previous service transaction completed by Specialist B

	Eligibility	Calculations	Salary	Retirement Contribution	Estimated Retirement Date	Cost letter / Documents scanned	
	35%	35%	15%	5%	5%	5%	= 100%
	7	7	3	1	1	1	= 20 value
Sample 3 (Specialist B)	Pass	Fail	N/A	N/A	N/A	Pass	8/15 = (53%)
Accuracy by individual criterion	7/7 = 100%	0/7 = 0%				1/1 = 100%	[8/15 = total accuracy rating]

OVERALL ACCURACY RATE FOR BUSINESS PROCESS

The overall accuracy rate for the Previous Service process is then calculated using the data for all the samples. The overall accuracy rate for Previous Service calculated as follows:

1. the total value of the criteria with a “Pass” mark (for all 3 samples: bottom line: total accuracy value = 37)
2. is divided by the total value of all applicable criteria for all 3 samples (applicable criteria total = 55)
 - See bottom line: total value of pertinent criteria = 55 out of 60 since 5 are not applicable to Sample 3.
3. which is equal to an overall accuracy rate of 67.27% for the previous service business process.

	Eligibility	Calculations	Salary	Retirement Contribution	Estimated Retirement Date	Cost letter / Documents scanned	
	35%	35%	15%	5%	5%	5%	= 100%
	7	7	3	1	1	1	= 20 value
Sample 1 (Specialist A)	Pass	Fail	Fail	Pass	Pass	Pass	10/20 = (50%)
Sample 2 (Specialist A)	Pass	Pass	Pass	Pass	Pass	Fail	19/20 = (95%)
Sample 3 (Specialist B)	Pass	Fail	N/A	N/A	N/A	Pass	8/15 = (53%)
Accuracy by individual criterion	21/21 = 100%	14/21 = 70%	3/6 = 50%	2/2 = 100%	2/2 = 100%	2/3 = 66.67%	[37/55 = total accuracy rating]

Appendix C – The Five Attributes of an Audit Finding

Audit observations/findings are built on five components*; Quality Assurance & Metrics communicates real-time findings to the auditee using the following five components:

Criteria

The criteria present the standards, measures, or expectations against which the conditions are tested. Criteria may include both internal and external requirements.

Conditions

The conditions consist of the situation that you found, supported by evidence and characterized by facts, measurements, examples, and other specific types of information.

Causes

The causes are the reasons that the conditions do not meet the criteria. As such, the causes usually do not contain quantifiable facts and measurements; instead, the causes usually identify the action or activity – or the lack of action or activity – that led to the tangible conditions.

Effects / Consequences

The effects are the actual or potential risks or exposures that the organization faces if the causes and the conditions continue. Thus, the description of the effects enables the reader to see the relative importance of the continued conditions.

Recommendations and Corrective Action Plan

Three types of recommendations or action plans are appropriate for quality auditing.

1. Caused-focused recommendations or action plans tells what needs to be done – or will be done – to address the source of the conditions and thus to prevent the future conditions.
2. Corrective recommendations or action plans narrowly address present conditions and describe one-time fixes.
3. Recovery recommendations or action plans address past errors that need to be corrected.

*Practice Advisory 2410-1: Communication Criteria, IIA: Institute of Internal Auditors