

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, MAY 11, 2017

*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 April 5, 2017
 - B. Approval of the Minutes of the Regular Meeting of April 13, 2017
 - C. Approval of the Minutes of the Special Meeting of May 3, 2017
- IV. REPORT ON CLOSED SESSION ITEMS
- V. OTHER COMMUNICATIONS
 - A. For Information
 - 1. February 2017 All Stars
 - 2. Chief Executive Officer's Report
(Memo dated May 2, 2017)
- VI. PUBLIC COMMENT
- VII. CONSENT AGENDA
 - A. Ratification of Service Retirement and Survivor Benefit Application Approvals.

VII. CONSENT AGENDA (Continued)

- B. Requests for an administrative hearing before a referee.
(Memo dated April 24, 2017)
- C. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board approve attendance of Board members at the 2017 Conference on Corporate Governance on July 18 –19, 2017 in Tel Aviv, Israel and approve reimbursement of all travel costs incurred in accordance with LACERA’s Education and Travel Policy. (Memo dated May 3, 2017)
(Placed on the agenda at the request of Ms. Gray)

VIII. NON-CONSENT AGENDA

- A. Recommendation as submitted by William de la Garza, Chair, Insurance, Benefits & Legislative Committee: That the Board approve the issuance of 1) A Request for Proposals for state legislative advocacy services on health, benefit, and plan administration issues; and 2) A Request for Proposals for federal legislative advocacy services on health, benefit, and plan administration issues. (Memo dated April 26, 2017)
- B. Recommendation as submitted by William de la Garza, Chair, Insurance, Benefits & Legislative Committee: That the Board adopt an “Oppose” position on Senate Constitutional Amendment 10 unless pulled from the Senate Committee, which requires retirement benefit increases to be approved by a two-thirds vote of the electorate. (Memo dated May 1, 2017)
- C. Recommendation as submitted by William de la Garza, Chair, Insurance, Benefits & Legislative Committee: That the Board adopt no position on Senate Bill 32, which would enact the California Public Employees’ Pension Reform Act of 2018. (Memo dated April 27, 2017)
(Supplemental memo dated April 27, 2017)
- D. Recommendation as submitted by William de la Garza, Chair, Insurance, Benefits & Legislative Committee: That the Board adopt an "Oppose" position on Senate Constitutional Amendment 8 unless pulled from the Senate Committee, which provides authority to a government employer to reduce public employee retirement benefits. (Memo dated May 1, 2017)

VIII. NON-CONSENT AGENDA (Continued)

- E. Recommendation as submitted by William de la Garza, Chair, Insurance, Benefits & Legislative Committee: That the Board adopt no position on Assembly Bill 1310, which relates to certain disclosures on member statements. (Memo dated April 20, 2017)
(Supplemental memo dated April 20, 2017)
- F. Recommendation as submitted by Bernie Buenaflor, Division Manager, Benefits Division: That the Board 1) Determine that Keren M. Goldberg is not incapacitated for the duties assigned to her in the position of Health Program Analyst I; and 2) Grant the application of Keren M. Goldberg for reinstatement to active membership. (Memo dated April 24, 2017)

IX. FOR INFORMATION ONLY

- A. For information only as submitted by Ricki Contreras, Division Manager, Disability Retirement Services, regarding the Application Processing Time Snapshot Reports. (Memo dated April 24, 2017)

X. REPORT ON STAFF ACTION ITEMS

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

XII. DISABILITY RETIREMENT APPLICATIONS ON CONSENT CALENDAR

XIII. DISABILITY RETIREMENT CASES TO BE HELD IN CLOSED SESSION

- A. Applications for Disability
- B. Referee Reports
- C. Staff Recommendations

- 1. Recommendation as submitted by Jason E. Waller, Senior Staff Counsel, Disability Litigation: That the Board find **Lisa T. Ha** permanently incapacitated due to service-connected injuries and grant a service-connected disability retirement in accordance with Government Code Section 31720. (Letter dated April 18, 2017)

XIII. DISABILITY RETIREMENT CASES TO BE HELD IN CLOSED SESSION
(Continued)

C. Staff Recommendations (Continued)

2. Recommendation as submitted by JJ Popowich, Assistant Executive Officer: That the Board approve the service provider invoice for Gutierrez, Preciado & House, LLP. (Memo dated April 28, 2017)
3. For Information Only as submitted by Ricki Contreras, Manager, Disability Retirement Services Division, regarding the 2017 Quarterly Reports of Paid Invoices. (Memo dated April 27, 2017)

XIV. EXECUTIVE SESSION

A. Conference with Legal Counsel - Existing Litigation
(Pursuant to Paragraph (1) of Subdivision (d) of California Government Code Section 54956.9)

1. Agneta Dobos v. Board of Retirement
2. Administrative Appeal of Vernalea Panga

XV. ADJOURNMENT

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

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

MINUTES OF THE REGULAR MEETING OF THE BOARD OF RETIREMENT

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

9:00 A.M., WEDNESDAY, APRIL 5, 2017

PRESENT: Shawn R. Kehoe, Chair
Vivian H. Gray, Vice Chair
Marvin Adams
Alan Bernstein
Anthony Bravo
Yves Chery
Keith Knox (Chief Deputy to Joseph Kelly)
David L. Muir (Alternate Retired)
William Pryor (Alternate Member)

ABSENT: William de la Garza, Secretary
Joseph Kelly
Ronald A. Okum

STAFF ADVISORS AND PARTICIPANTS

Gregg Rademacher, Chief Executive Officer

John Popowich, Assistant Executive Officer

Steven P. Rice, Chief Counsel

Dr. Vito Campese, Medical Advisor

STAFF ADVISORS AND PARTICIPANTS (Continued)

Ricki Contreras, Division Manager
Disability Retirement Services

Tamara Caldwell, Specialist Supervisor
Disability Retirement Services

Francis J. Boyd, Senior Staff Counsel
Legal Division

Chris Waddell, Olsen Hagel & Fishburn LLP

Veronica Jones, Applicant's Spouse

I. CALL TO ORDER

The meeting was called to order by Chair Kehoe at 9:01 a.m., in the Board Room of Gateway Plaza.

II. PLEDGE OF ALLEGIANCE

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

III. APPROVAL OF MINUTES

A. Approval of the Minutes of the Special Meeting of March 3, 2017

Mr. Chery made a motion, Mr. Adams seconded, to approve the minutes of the special meeting of March 3, 2017. The motion passed with Chair Kehoe abstaining.

IV. REPORT ON CLOSED SESSION ITEMS

No items were reported.

V. PUBLIC COMMENT

Veronica Jones addressed the Board regarding her husband's, Robert E. Jones, disability benefit application.

VI. CONSENT AGENDA

Mr. Bernstein made a motion, Mr. Adams seconded, to approve the following agenda items. The motion passed unanimously.

- A. Ratification of Service Retirement and Survivor Benefit Application Approvals.
- B. Ratification of Reciprocal Disability Retirements. (Memo dated March 23, 2017) (Legal Supplemental Memo dated March 28, 2017)
- C. Recommendation as submitted by Ricki Contreras, Division Manager, Disability Retirement Services: That the Board dismiss with prejudice the appeal for a service-connected disability retirement in the case of **Max D. Hartwell**. (Memo dated March 23, 2017)
- D. Recommendation as submitted by Ricki Contreras, Division Manager, Disability Retirement Services: That the Board dismiss with prejudice the appeal for a service-connected disability retirement in the case of **Ramona Salas**. (Memo dated March 23, 2017)

VII. NON - CONSENT AGENDA

- A. Presentation by Chris Waddell from Olsen Hagel & Fishburn LLP regarding recent vested rights case law. (Memo dated March 27, 2017)

Mr. Waddell provided a presentation to the Board and answered questions.

VIII. FOR INFORMATION ONLY

- A. For information only as submitted by Ricki Contreras, Division Manager, Disability Retirement Services, regarding the Application Processing Time Snapshot Reports. (Memo dated March 23, 2017)

This item was received and filed.

IX. REPORT ON STAFF ACTION ITEMS

There was nothing to report on for staff action items.

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

Mr. Rademacher announced that the Board of Supervisors approved the LACERA election procedures for the upcoming 2018-2020 term for the General and Retired members. The County teamed up with LACERA's Communication Division to create a postcard that will be mailed to all LACERA retirees.

Furthermore, Mr. Rademacher recognized and congratulated LACERA staff members, Renee Henry and Michael G. Nabadrik, on their recent retirement.

Lastly, Mr. Rademacher shared his experience in attending the NASP Conference.

XI. DISABILITY RETIREMENT APPLICATIONS ON CONSENT CALENDAR

Safety Law Enforcement
Service-Connected Disability Applications

On a motion by Mr. Chery, seconded by Mr. Pryor, the Board of Retirement approved a service-connected disability retirement for the following named employees who were found to be disabled for the performance of their duties and have met the burden of proof:

APPLICATION NO.

NAME

610C*

CECILIA M. BARRAGAN

* Granted SCD – Employer Cannot Accommodate

XI. DISABILITY RETIREMENT APPLICATIONS ON CONSENT CALENDAR

Safety Law Enforcement (Continued)
Service-Connected Disability Applications

<u>APPLICATION NO.</u>	<u>NAME</u>
611C*	DOUGLAS J. ORT
612C	RANDY D. DICKERSON
613C	STEVEN M. MILLS
614C	ANTHONY NAVARRO
615C	BORIS I. NIKOLOF
616C*	KIM L. WHITLOW
617C*	DAVID J. THOMPSON
618C*	MICHAEL A. PONCE DE LEON
619C**	GEORGE B. MAGALLANES
620C	DANIEL R. JORDAN
621C	KEVIN C. HANNIGAN (DEC'D)
622C*	BRYAN S. PROCTOR
623C	JOHN A. RUSH

* Granted SCD – Employer Cannot Accommodate

** Granted SCD – Retroactive

XI. DISABILITY RETIREMENT APPLICATIONS ON CONSENT CALENDAR

Safety-Fire, Lifeguard
Service-Connected Disability Applications

On a motion by Mr. Pryor, seconded by Mr. Bernstein, the Board of Retirement approved a service-connected disability retirement for the following named employees who were found to be disabled for the performance of their duties and have met the burden of proof:

<u>APPLICATION NO.</u>	<u>NAME</u>
1845A	SCOTT Q. MAHAN
1846A	JOHN R. COX
1847A	SCOTT M. FRANCIS
1848A	LARRY R. JORDAN
1849A*	GREGORY B. WHITE
1850A	ANTHONY J. VLACH
1851A	FRED C. WEISS
1852A	BRIAN E. PEPPER
1853A	PAUL L. OYLER
1854A	JOHN H. MARK
1855A	THOMAS D. BRADY
1856A	STEPHEN P. KELLER

* Granted SCD – Retroactive

XI. DISABILITY RETIREMENT APPLICATIONS ON CONSENT CALENDAR

Safety-Fire, Lifeguard (Continued)
Service-Connected Disability Applications

<u>APPLICATION NO.</u>	<u>NAME</u>
1857A	TIM K. PODCZERVIENSKY
1858A	ROBERT K. WHITMAN

General Members
Service-Connected Disability Applications

On a motion by Mr. Chery, seconded by Mr. Muir, the Board of Retirement approved a service-connected disability retirement for the following named employees who were found to be disabled for the performance of their duties and have met the burden of proof:

<u>APPLICATION NO.</u>	<u>NAME</u>
2701B	WILLIAM M. KIMBLE
2703B*	ALI TAVANA
2704B	JOHN C. PARSONS
2705B	YENE L. MEJIA-MARTINEZ
2706B**	PARMINDER K. RYATT
2707B**	SABRIN A. PATINO
2708B***	LA TANYA WILSON

* Granted SCD Retroactive – Employer Cannot Accommodate

** Granted SCD – Retroactive

*** Granted SCD – Employer Cannot Accommodate

XI. DISABILITY RETIREMENT APPLICATIONS ON CONSENT CALENDAR

General Members

Service-Connected Disability Applications

<u>APPLICATION NO.</u>	<u>NAME</u>
2709B	CRUZ COVARRUBIAS
2710B*	KELLEY W. JACKSON
2711B**	LORRAINE M. JOHNSON

XII. DISABILITY RETIREMENT CASES TO BE HELD IN CLOSED SESSION

A. Applications for Disability

<u>APPLICATION NO. & NAME</u>	<u>BOARD ACTION</u>
2702B – MARIA LINDA FAZIO	Mr. Chery made a motion, Mr. Adams seconded, to grant a service connected disability retirement pursuant to Government Code Sections 31720 and 31724 since the employer cannot accommodate. The motion passed unanimously.
6942A – BELISHIA E. MCGOWAN	This case was pulled from the agenda by the request of staff.
6899A – ROBERT E. JONES (Deceased)***	Ms. Gray made a motion, Mr. Chery seconded, to grant a service connected disability retirement. The motion passed (roll call) with Messrs. Chery, Muir, Bravo, Adams, Bernstein, Chair Kehoe, and Ms. Gray voting yes; and Mr. Knox voting no.

* Granted SCD – Employer Cannot Accommodate

** Granted SCD Retroactive – Employer Cannot Accommodate

*** Applicant’s Spouse Present

XII. DISABILITY RETIREMENT CASES TO BE HELD IN CLOSED SESSION

A. Applications for Disability

APPLICATION NO. & NAME

BOARD ACTION

6929A – JENNIFER T. WEBB

Mr. Pryor made a motion, Chair Kehoe seconded, to grant a non-service connected disability retirement pursuant to Government Code Section 31720. The motion passed unanimously.

6588A – KAI J. PARKER

Mr. Muir made a motion, Mr. Bravo seconded, to deny a service connected disability retirement and find the applicant not permanently incapacitated since the employer can accommodate. The motion passed unanimously.

6908A – ROBERTO A. GOODEN

Mr. Muir made a motion, Mr. Adams seconded, to deny a service connected disability retirement and find the applicant not permanently incapacitated since the employer can accommodate. The motion passed unanimously.

6815A – N4102DRAC

Mr. Pryor made a motion, Chair Kehoe seconded, to deny a service connected disability retirement since the employer can accommodate. The motion passed unanimously.

B. Referee Reports

APPLICATION NO. & NAME

BOARD ACTION

PATRICK L. GOMEZ – Michael Treger for the applicant
Allison E. Barrett for the respondent

Chair Kehoe made a motion, Mr. Chery seconded, to grant a service connected

XII. DISABILITY RETIREMENT CASES TO BE HELD IN CLOSED SESSION

B. Referee Reports (Continued)

APPLICATION NO. & NAME

BOARD ACTION

disability retirement. The motion passed unanimously.

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

1. Retirement Board Listing dated April 5, 2017
2. LACERA Staying Healthy Together Spring Workshop Flyer
3. Disability Retirement Evaluation Summary – Correction Memo: Maria Linda Fazio (Memo dated March 23, 2017)

XIII. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 10:44 a.m.

WILLIAM DE LA GARZA, SECRETARY

SHAWN R. KEHOE, CHAIR

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, APRIL 13, 2017

PRESENT: Shawn R. Kehoe, Chair
Vivian H. Gray, Vice Chair
Marvin Adams
Alan Bernstein
Anthony Bravo
Yves Chery
Keith Knox (Chief Deputy to Joseph Kelly)
David L. Muir (Alternate Retired)
Ronald A. Okum
William Pryor (Alternate Member)

ABSENT: William de la Garza, Secretary

Joseph Kelly

STAFF ADVISORS AND PARTICIPANTS

Gregg Rademacher, Chief Executive Officer

Robert Hill, Assistant Executive Officer

John Popowich, Assistant Executive Officer

Steven P. Rice, Chief Counsel

STAFF ADVISORS AND PARTICIPANTS

Barry W. Lew, Legislative Affairs Officer

Fern M. Billingsy, Senior Staff Counsel

Michael Herrera, Senior Staff Counsel

Johanna Fontenot, Senior Staff Counsel

John Nogales, Human Resources Director

Thomas Wicke, Attorney

Levon Der Krikorian

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

III. REPORT ON CLOSED SESSION ITEMS

No items were reported.

IV. OTHER COMMUNICATIONS

A. For Information

1. February 2017 All Stars

Mr. Hill announced the eight winners for the month of February: Ana Ronquillo, Miriam De Leon, Jill Rawal, Tamara Caldwell, Van Bonifacio, Luis Alvarez, Maria Santillan, and Elizabeth Tirado for the Employee Recognition Program and Stephanie

IV. OTHER COMMUNICATIONS

A. For Information

1. February 2017 All Stars (Continued)

Kawai for the Webwatcher Program. Sylvia Botros, Allen Molina, Melvin Tsao, and Chona Labtic-Austin were the winners of LACERA's RideShare Program.

2. Chief Executive Officer's Report (Memo dated April 4, 2017)

Mr. Rademacher provided a brief overview of his Chief Executive Officer's Report with a quick update on what transpired at the previous Board of Investments meeting.

(Board of Investments minutes are available to view on LACERA's Website

www.lacera.com.)

Mr. Rademacher shared that the Board of Supervisors approved the LACERA Election Procedures for the upcoming 2018-2020 term election for a General and the Retired members. In addition, the Board of Supervisors approved the CIO Salary Ordinance changes approved by the LACERA Boards at their March meetings.

In addition, Mr. Rademacher provided a friendly reminder that the combined Board of Retirement Disability and Administrative meeting is taking place on Thursday, May 11, 2017. Furthermore, the Budget Hearings will take place following the Board of Investments Board and Committee meetings on Wednesday, May 10, 2017 and the Board of Retirement Board and Committee meetings on Thursday, May 11, 2017.

V. PUBLIC COMMENT

Attorney Thomas Wicke addressed the Board regarding Item X. B. 3. –

V. PUBLIC COMMENT (Continued)

Administrative Appeal of Karen J. (Green) Henkel.

Levon Der Krikorian addressed the Board regarding the X. B. 2. - Administrative Appeal of Joel Zicari/Levon Der Krikorian.

VI. NON-CONSENT AGENDA

- A. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board adopt the Board of Retirement Charter and the Board of Retirement Standing Committee Charters. (Memo dated April 4, 2017)

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

Mr. Chery made a motion, Mr. Adams seconded, to approve the recommendation with the revision to remove Section 4.5- Coordinate the BOR's self-assessment of its effectiveness on page 7. The motion passed unanimously.

- B. Recommendation as submitted by Cassandra Smith, Director, Retiree Healthcare Division: That the Board approve the fiscal year 2017-2018 rate renewal proposal and mandatory contractual changes, listed by carrier, and the administrative fee. (Memo dated March 23, 2017)

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

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

VI. NON-CONSENT AGENDA (Continued)

C. Recommendation as submitted by Robert Hill, Assistant Executive Officer; John Popowich, Assistant Executive Officer; and John Nogales, Director, Human Resources: That the Board approve the following:

1. Approve the new LACERA classifications and pay ranges:

- Deputy Chief Investment Officer, LACERA, (UC) – LR 24
- Deputy Chief Executive Officer, LACERA, (UC) – LS 18
- Principal Staff Counsel, LACERA – LS 17
- Chief Financial Officer, LACERA - LS 14
- Assistant Chief Financial Officer, LACERA – LS 12

2. Approve the revised pay ranges for existing LACERA classifications:

- Chief Counsel, LACERA – LS 20
- Assistant Executive Officer, LACERA, (UC) – LS 16
- Assistant Executive Officer, LACERA – LS 16
- Chief, Internal Audit, LACERA – LS 14
- Director, Human Resources, LACERA – LS 14
- Assistant Director, Human Resources, LACERA – LS 12

3. Direct staff to submit to the Board of Supervisors the required ordinance language to implement the new LACERA classifications and revised pay ranges by amending the Los Angeles County Salary Code Sections 6.28.050, 6.127.010, and 6.127.030.

(Memo dated March 28, 2017)

Messrs. Nogales, Popowich, and Hill were present to answer questions from the Board.

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

D. Recommendation as submitted by James Beasley, Administrative Services Analyst III; James Pu, Chief Information Officer; Johanna M. Fontenot, Senior Staff Counsel; and Michael Herrera, Senior Staff Counsel: That the Board approve the proposed revisions to the Records and Information Management Policy. (Memo dated April 3, 2017)

VI. NON-CONSENT AGENDA (Continued)

Messrs. Beasley, Pu, Herrera, and Ms. Fontenot provided a brief presentation to the Boards.

The Records and Information Management Policy will be presented to the Operations Oversight Committee for further development.

- E. Recommendation as submitted by Barry W. Lew, Legislative Affairs Officer: That the Board adopt a “Neutral” position on Assembly Bill 283, which relates to disability retirement and peace officers.
(Memo dated March 15, 2017) (Supplemental Memo dated April 3, 2017)

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

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

- F. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board provide the SACRS voting delegate direction on voting for the SACRS slate of officers and miscellaneous business items.
(Memo dated April 6, 2017)

Mr. Muir made a motion, Mr. Okum seconded, to approve the final slate of officers as followed:
Dan McAllister, President; Gabe Rodrigues, Vice President; Harry E. Hagen, Treasurer; and Art Goulet, Secretary.

Mr. Chery made a substitute motion, Mr. Bravo seconded, to approve the slate as proposed by the SACRS Nominating Committee.

Chair Kehoe made a substitute motion, Ms. Gray seconded, to abstain from voting on the final slate of officers. The motion passed (roll call) with Messrs. Knox, Adams, Bravo, and Chery voting no; and Messrs. Okum, Bernstein, Muir, Chair Kehoe, and Ms. Gray voting yes.

VI. NON-CONSENT AGENDA (Continued)

Ms. Gary made a motion, Chair Kehoe second, to vote in favor of the Bylaws amendments. The motion passed unanimously.

- G. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board review the January 2018 meeting schedule and consider rescheduling the Wednesday, January 3, 2018 meeting. (Memo dated March 29, 2017)

Mr. Pryor made a motion, Mr. Knox seconded, to approve rescheduling the Wednesday, January 3, 2018 meeting to a combined Disability and Administrative meeting on Thursday, January 11, 2018. The motion passed unanimously.

- H. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer: That the Board approve attendance of Board members at the Fortune Brainstorm Tech on July 17 –19, 2017 in Aspen, CO and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated April 4, 2017)
(Placed on the agenda at the request of Mr. Kehoe)

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

VII. FOR INFORMATION ONLY

- A. For Information Only as submitted by Steven P. Rice, Chief Counsel, regarding the summary of actions and plans in support of Board activism. (Memo dated April 4, 2017)

This item was received and filed.

VIII. REPORT ON STAFF ACTION ITEMS

The Board requested that the Records and Information Management Policy be presented to the Operations Oversight Committee for further development. Furthermore,

VIII. REPORT ON STAFF ACTION ITEMS (Continued)

it was suggested that the option to have a LACERA email address be made available to Board members.

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

Mr. Muir provided the Board and Staff with an update to Mr. de la Garza's condition.

X. EXECUTIVE SESSION

A. Conference with Legal Counsel - Anticipated Litigation
Initiation of Litigation (Pursuant to Paragraph (4) of Subdivision (d) of California Government Code Section 54956.9)

1. Number of Cases: 1

(Mr. Pryor left the Boardroom at 10:55 a.m.)

The Board met in Executive Session pursuant to Government Code Section 54956.9(4)(d). There was nothing to report.

B. 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 Daniel Duerksen
2. Administrative Appeal of Joel Zicari/Levon Der Krikorian
3. Administrative Appeal of Karen J. (Green) Henkel
4. Administrative Appeal of Wendell A. Davis

(Mr. Pryor returned to the Boardroom at 11:03 a.m.)

The Board met in Executive Session pursuant to Government Code Section 54956.9(d)(2). It was reported that the Board voted unanimously, on a motion by Mr.

April 13, 2017

Page 9

X. EXECUTIVE SESSION (Continued)

Chery, seconded by Mr. Okum, to grant the appeal of Daniel Duerksen; on a motion by Mr. Adams, seconded by Mr. Muir, to deny the appeal of Joel Zicari/Levon Der Krikorian; on a motion by Chair Kehoe, seconded by Mr. Chery, to grant the appeal of Karen J. (Green) Henkel; and on a motion by Mr. Chery, seconded by Mr. Pryor to grant the appeal of Wendell A. Davis.

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

1. LACERA Legislative Report – Other (Dated April 11, 2017)
2. LACERA Legislative Report - Bills Amending CERL/PEPRA (Dated April 11, 2017)
3. SACRS Officer Elections and Business Agenda Items (Memo dated April 11, 2017)

XI. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 11:21 a.m.

WILLIAM DE LA GARZA, SECRETARY

SHAWN R. KEHOE, CHAIR

MINUTES OF THE SPECIAL MEETING OF THE BOARD OF RETIREMENT

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

9:00 A.M., WEDNESDAY, MAY 3, 2017

PRESENT: Shawn R. Kehoe, Chair

 Vivian H. Gray, Vice Chair

 Marvin Adams

 Alan Bernstein

 Anthony Bravo

 Keith Knox (Chief Deputy to Joseph Kelly)

 David L. Muir (Alternate Retired)

 Ronald A. Okum

 William Pryor (Alternate Member)

ABSENT: William de la Garza, Secretary

 Joseph Kelly

STAFF ADVISORS AND PARTICIPANTS

Gregg Rademacher, Chief Executive Officer

Steven P. Rice, Chief Counsel

I. CALL TO ORDER

 The meeting was called to order by Chair Kehoe at 9:02 a.m., in the Board Room of Gateway Plaza.

II. PLEDGE OF ALLEGIANCE

Chair Kehoe led the Board Members and staff in reciting the Pledge of Allegiance.

III. MOMENT OF SILENCE IN REMEMBRANCE OF BOARD MEMBER
YVES CHERY

Chair Kehoe led the Board and staff in a moment of silence in remembrance of Board Member, Yves Chery.

IV. NON-CONSENT AGENDA

A. Recommendation as submitted by Gregg Rademacher, Chief Executive Officer:
That the Board:

1. Direct and approve a special election for the Second Member position on the Board of Retirement to be held on August 1, 2017 concurrently with the currently scheduled election for the position, as a single election to fill both the vacancy for the remaining term ending December 31, 2017 and the new term beginning January 1, 2018, or to provide such other direction as the Board deems appropriate with respect to the vacancy in the Second Member position; and
2. Direct staff to cause the County of Los Angeles Board of Supervisors to take such action as may be necessary to implement the Board's direction.

(Memo dated May 1, 2017)

Mr. Rademacher and Mr. Rice were present to answer questions from the Board.

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

V. GOOD OF THE ORDER

Mr. Muir provided the Board and Staff with an update to Mr. de la Garza's condition.

May 3, 2017

Page 3

V. GOOD OF THE ORDER (Continued)

Ms. Gray thanked staff for their efforts in assisting the Chery family during this difficult time. Mr. Rademacher specifically recognized LACERA Member Service Representative, Vanessa Gonzalez, for her efforts in helping the Chery family.

VI. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 9:16 a.m.

WILLIAM DE LA GARZA, SECRETARY

SHAWN R. KEHOE, CHAIR



May 2, 2017

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.

Administrative Services Grand Re-Opening

I am pleased to announce the grand re-opening of the LACERA reception area on the sixth floor. You may recall part of our fiscal year 2016-2017 renovation plan was to renovate the Administrative Services Division on the sixth floor. The Administrative Services Division serves as the home for our reception area, the Document Processing Center, procurement, budget, records management, health and safety, and facilities teams.

The renovation is a major milestone in our efforts to improve the security and privacy of member data by creating a physical separation between the Document Processing Center (DPC) from the remainder of Administrative Services division. The DPC processes all incoming mail and outgoing mail, including sensitive member records that may have personal identifying information or personal health information on the documents. The prior open configuration allowed anyone walking past the receptionist full access to the entire Administrative Services Division, including the DPC. The newly renovated area prohibits entry into the Administrative Services Division and only allows access into the DPC area with the proper security clearance.

This renovation completes several long standing Internal Audit recommendations to restrict



access to the DPC work area. Staff was already working on the design process when the topic was also identified in the 2016 Privacy Audit.

In addition to the security upgrades the reception area has been updated and modernized. The updated reception space is lighter, more open, and allows for increased seating capacity. Staff is busy completing final cosmetic touches which include a Values wall graphic that will highlight the LACERA values – Professionalism, Respect, Open Communications, Fairness, Integrity, and Teamwork.

I would like to thank and congratulate our Administrative Services and Systems teams for their hard work on this renovation. Due to the nature of the renovation, these two teams were required to coordinate the temporary move of the entire division to the second floor and back. Both moves were completed with minimal to no interruptions of service to the organization, our members, and our guests.

Celebrating 20 years of Success -- Mainframe Computer @ LACERA

We are proud to report that on May 1, 2017 LACERA celebrated a 20 year anniversary of implementing and hosting our mainframe computer system "in-house" at LACERA. And it has been a successful 20 years. LACERA Systems' staff have professionally hosted the mainframe through the entire lifecycle of deployment, maintenance, upgrade and replacement with virtually zero downtime, and never missing a payroll.

Recognizing that information technology plays a crucial role in every aspect of serving our membership, staff is reflective of our past successes yet excited about the future. Our commitment to technology started in the late 1980's when we designed and built our own retirement system. Since then, we have successfully implemented and supported numerous technologies and applications spanning all of LACERA. We look forward to the next 20 years of success.

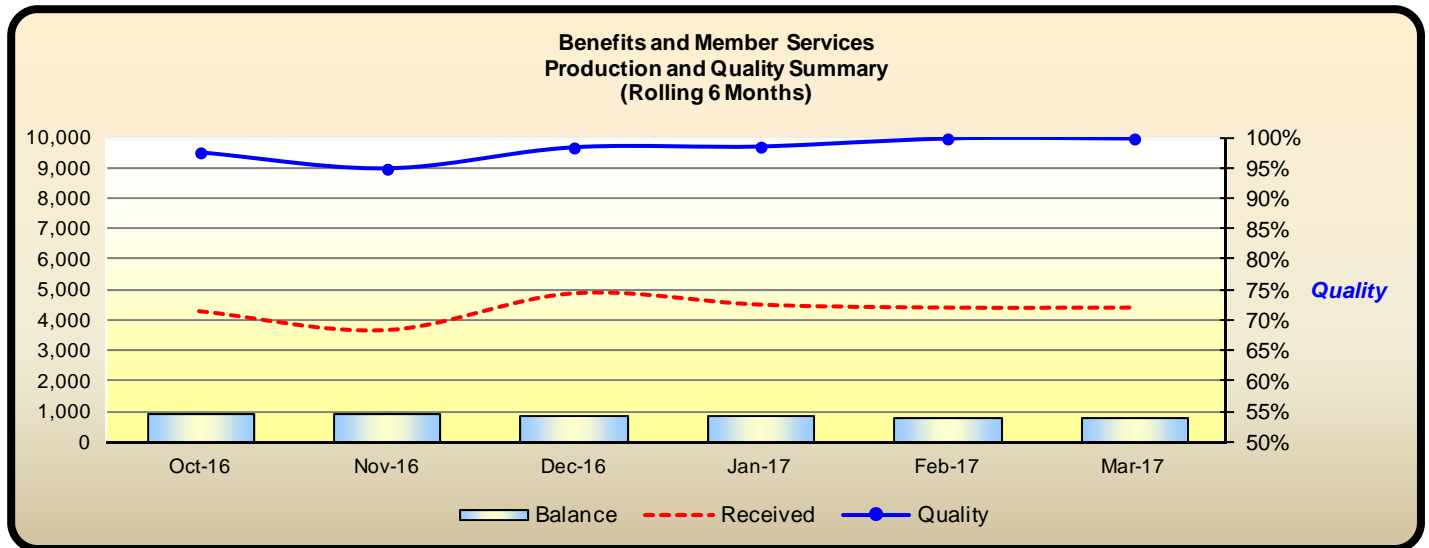
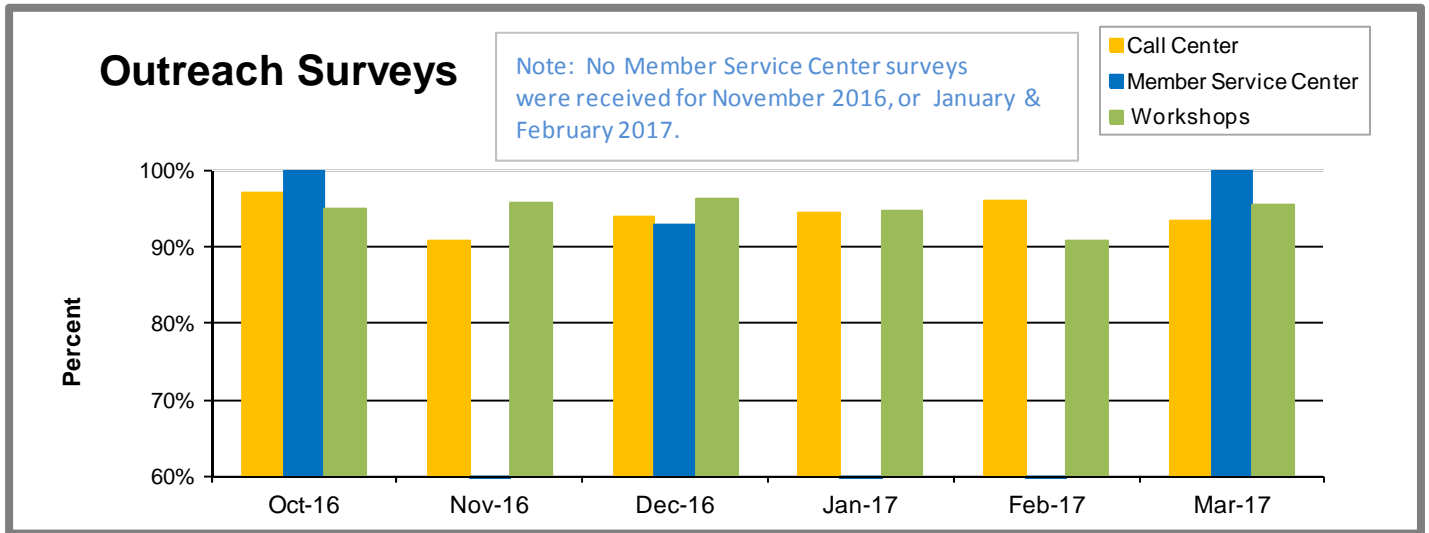
GR: jp
CEO report May 2017.doc

Attachments

LACERA's KEY BUSINESS METRICS

OUTREACH EVENTS AND ATTENDANCE

Type	# of WORKSHOPS		# of MEMBERS	
	Monthly	YTD	Monthly	YTD
Benefit Information	3	111	125	4,318
Mid Career	1	21	5	739
New Member	12	125	278	2,728
Pre-Retirement	4	62	80	1,332
General Information	2	7	58	439
Retiree Events	1	12	20	637
Member Service Center	Daily	Daily	1,846	12,936
TOTALS	23	338	2,412	23,129



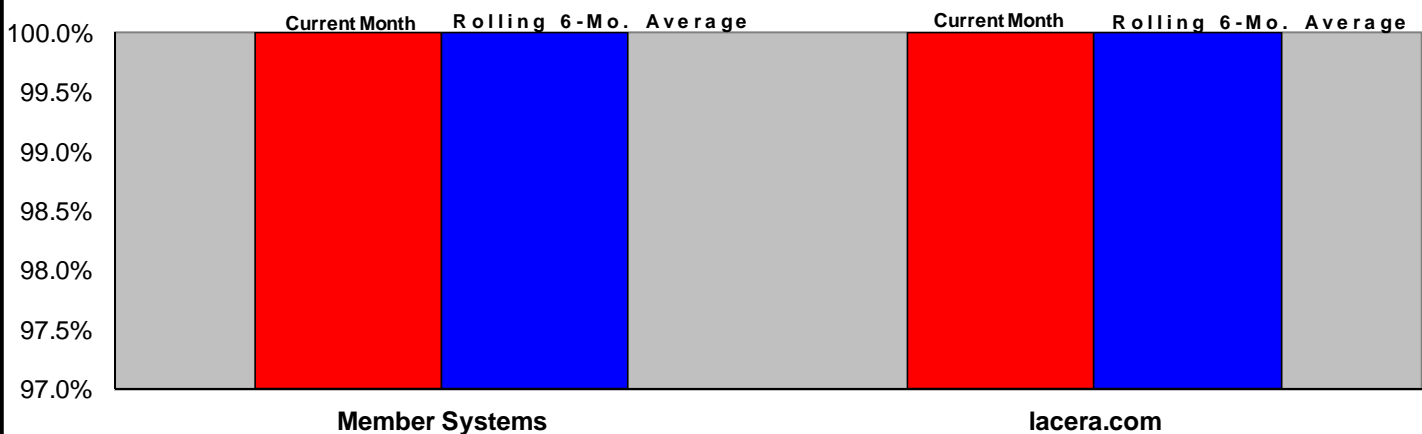
Member Services Contact Center			RHC Call Center	Top Calls
Overall Key Performance Indicator (KPI)	89.51%			
Category	Goal	Rating		
Call Center Monitoring Score	95%	94.13%	98%	1) Member Services
Grade of Service (80% in 60 seconds)	80%	45%	47%	2) Workshop Info/Inquiry
Call Center Survey Score	90%	93.45%	xxxxx	3) Retirement Counseling: Estimate
Agent Utilization Rate	65%	73%	81%	3) Retirement Counseling: Process
Number of Calls	12,921		5,095	Over View
Calls Answered	11,819		4,625	Retiree Health Care
Calls Abandoned	1,102		477	1) Medical Benefits - General Inquiries
Calls-Average Speed of Answer	00:02:57		02:53	2) Medical-New Enroll./Change/Cancel
Number of Emails	371		251	3) Dental/Vision Benefits Gen. Inquiries
Emails-Average Response Time	05:23:25		5	Adjusted for weekends

LACERA's KEY BUSINESS METRICS

Fiscal Years	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Assets-Market Value	\$40.9	\$38.7	\$30.5	\$33.4	\$39.5	\$41.2	\$43.7	\$51.1	\$51.4	\$50.9
Funding Ratio	93.8%	94.5%	88.9%	83.3%	80.6%	76.8%	75.0%	79.5%	83.3%	79.4%
Investment Return	19.1%	-1.4%	-18.2%	11.8%	20.4%	0.3%	12.1%	16.8%	4.3%	1.1%

DISABILITY INVESTIGATIONS						
APPLICATIONS	TOTAL	YTD		APPEALS	TOTAL	YTD
On Hand	537	xxxxxxx		On Hand	128	xxxxxxx
Received	67	435		Received	0	23
Re-opened	0	1		Administratively Closed/Rule 32	2	21
To Board – Initial	45	322		Referee Recommendation	1	6
Closed	4	45		Revised/Reconsidered for Granting	0	10
In Process	555	555		In Process	125	125

SYSTEMS AVAILABILITY - MARCH 2017



Active Members as of 5/1/17		Retired Members/Survivors as of 5/1/17			Retired Members		
		Retirees	Survivors	Total			
General-Plan A	180	18,669	4,654	23,323	Monthly Payroll	254.76 Million	
General-Plan B	65	696	64	760	Payroll YTD	2.3 Billion	
General-Plan C	70	424	60	484	Monthly Added	299	
General-Plan D	45,444	12,784	1,190	13,974	Seamless %	99.67	
General-Plan E	19,841	11,616	980	12,596	YTD Added	2,543	
General-Plan G	18,381	7	0	7	Seamless YTD %	99.80	
Total General	83,981	Total General	44,196	6,948	51,144	Direct Deposit	95.00%
Safety-Plan A	7	Safety-Plan A	5,703	1,571	7,274		
Safety-Plan B	10,829	Safety-Plan B	4,766	245	5,011		
Safety-Plan C	1,821	Safety-Plan C	3	0	3		
Total Safety	12,657	Total Safety	10,472	1,816	12,288		
TOTAL ACTIVE	96,638	TOTAL RETIRED	54,668	8,764	63,432		

Health Care Program (YTD Totals)		
	Employer Amount	Member Amount
Medical	337,551,460	29,273,901
Dental	30,430,591	3,212,471
Med Part B	39,712,710	xxxxxxxxxx
Total Amount	\$407,694,761	\$32,486,372

Health Care Program Enrollments	
Medical	48,094
Dental	49,197
Med Part B	31,779
Long Term Care (LTC)	732

Funding Metrics as of 6/30/16	
Employer Normal Cost	9.97%
UAAL	9.73%
Assumed Rate	7.25%
Star Reserve	\$614 million
Total Assets	\$47.8 billion

Member Contributions as of 6/30/16	
Annual Additions	\$458.7 million
% of Payroll	6.65%

Employer Contributions as of 6/30/16	
Annual Addition	\$1,443.1 million
% of Payroll	19.70%

Date	Conference
June, 2017	
2	CALAPRS (California Association of Public Retirement Systems) Round Table – Trustees Marriott Burbank Airport
2	CALAPRS (California Association of Public Retirement Systems) Round Table – Benefits Marriott Burbank Airport
7-9	AHIP (America’s Health Insurance Plans) Institute Austin, TX
12-15	Gartner Security & Risk Management 2017 Summit National Harbor, MD
12-15	Ignite 2017 Cybersecurity Conference Vancouver, BC
12-15	SuperReturn US East Conference and Summit Boston, MA
13-14	2017 Invesco Real Estate Asia Client Conference Seoul, South Korea
26-28	National Association of Securities Professionals (NASP) 28 th Annual Pension & Financial Services Conference Los Angeles, CA
26-28	SuperReturn Emerging Markets Conference and Summit Amsterdam, Netherlands
July, 2017	
11-13	International Corporate Governance Network (ICGN) Annual Conference Kuala Lumpur
17-19	Fortune Brainstorm Tech Aspen, CO
26-28	Pacific Pension Institute (PPI) North American Summer Roundtable Toronto, Canada
August, 2017	
28-31	CALAPRS (California Association of Public Retirement Systems) Principles of Pension Management Pepperdine University
September, 2017	
13-15	Council of Institutional Investors (CII) Fall Conference San Diego, CA



April 24, 2017

TO: Each Member
Board of Retirement

FROM: Ricki Contreras, Division Manager
Disability Retirement Services

SUBJECT: **APPEALS FOR THE BOARD OF RETIREMENT'S MEETING
OF MAY 11, 2017**

IT IS RECOMMENDED that your Board grant the appeals and requests for administrative hearing received from the following applicants, and direct the Disability Retirement Services Manager to refer each case to a referee:

6939A	Alba L. Zazueta	In Pro Per	Deny SCD Employer Can Accommodate
6938A	Diana Cazares	In Pro Per	Deny SCD Employer Can Accommodate
6937A	Jessie M. Hackett	In Pro Per	Deny SCD Employer Can Accommodate
6929A	Jennifer T. Webb	Thomas J. Wicke	Deny SCD – Grant NSCD
6908A	Roberto A. Gooden	In Pro Per	Deny SCD Employer Can Accommodate



May 2, 2017

TO: Each Member
Board of Retirement

FROM: Gregg Rademacher 
Chief Executive Officer

FOR: Board of Retirement Meeting of May 11, 2017

SUBJECT: 2017 Conference on Corporate Governance
Tel Aviv, Israel on July 18 –19, 2017

The 2017 Conference on Corporate Governance, sponsored by Guy, Bachar & Company and Sulami Lavie Law Firm, will be held at the Hilton Hotel on July 18-19, 2017 in Tel Aviv, Israel.

On July 18, 2017, conference attendees will be spending approximately four hours at the Israeli Knesset meeting various Ministers and Politicians to learn about issues related to government, economic regulation, and security matters impacting investments in Israel. Thereafter, they will have a dinner lecture hosted by the Mayor of Jerusalem Nir Barakat, which will last about an hour and a half, focusing on investment and economic development in Jerusalem.

On July 19, 2017, the conference will be held in Tel Aviv, Israel and will focus on corporate governance and ESG issues pertaining to investment in Israel. There is about four hours of lecture time at that conference. Thereafter, the attendees will proceed to lecture/tour of the border cities in Israel to learn from military personnel regarding the security issues currently facing Israel. This lecture/tour will last about three hours.

The conference meets LACERA's policy of an average of five (5) hours of substantive educational content per day. The standard hotel rate at the Hilton Hotel is \$380.00 per night plus applicable taxes and there is no registration fee.

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

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD:

Approve attendance of Board members at the 2017 Conference on Corporate Governance on July 18 –19, 2017 in Tel Aviv, Israel and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy.

GR/bn

Attachment

Conference on Corporate Governance

The Hilton Hotel Tel Aviv, Israel July 18-19, 2017

Sponsored by Guy, Bachar & Co. and
Sulami - Lavie, Law Firm
with additional sponsorship by Pomerantz LLP

The conference will focus, among other things, on the current structure of corporate governance in Israel, and its implications for foreign funds interested in investing in the Israeli market.

July 18, 2017

- 2:30 pm: **Bus Leaves** from Tel Aviv Hilton to the Knesset in Jerusalem
- 4:00 pm: **Meeting** with Israel's Minister of Energy, **Dr. Yuval Steinitz**
- 5:00 pm: **Meeting** with **Yuli Edelstein**, the Speaker of the Knesset
- 6:00 pm: **Meeting** with **Shai Bavad**, President, Ministry of Finance
- 7:00 pm: **Dinner Lecture** with **Yoel Baris**, Vice President of Legal & Corporate Public Policy for the State of Israel, at Skyline in Jerusalem

July 19, 2017

The Hilton Hotel

- 8:00 - 9:00 am: **Breakfast**
- 9:30 - 9:45 am: **Welcoming Remarks** by **Jeremy Lieberman**, Senior Partner, Pomerantz LLP
- 9:45 - 11:00 am: **Developments in Israeli Corporate Governance: What Has Been Accomplished and What Needs to Be Accomplished?**
Moderated by **Orly Guy, Adv.**, Senior Partner, Guy, Bachar Adv.

Panelists:

Adi Ayal, PhD Law, PhD Economics, Bar Ilan University
Yair Ephrati, CEO of Investment Banking, Value Base
Gal Staal, Founder and Chairman of Entropy

11:00 - 11:15 am: **Coffee Break**

11:15 am-12:15 pm: **ESG Considerations in Investing in Israel**
Moderated by **Orly Guy, Adv.**, Senior Partner, Guy, Bachar Adv.

Panelists:

Dr. Daniel Summerfield, Co-Head of Responsible Investment, USS
Herman B. Santos, Board Member, ACERA
Dr. Amir Licht, Professor, Radzyner School of Law, Herzliya
Kelly Mitchell, Treasurer of the State of Indiana

12:15 pm-12:55 pm: **Investors' Expectations in Investing in Israel --
An Overseas Investor's Perspective**
Moderated by **Eitan Lavie, Adv.**, Senior Partner, Sulami-Lavie &Co.

Panelists:

Andrew Holton, General Counsel, North Carolina Department of
State Treasurer
Leon Kamhi, Executive Director, Hermes EOS
Curtis Loftis, State Treasurer of South Carolina
Seth Metcalf, Chief of Staff to the Treasurer of Ohio
Ken Miller, State Treasurer of Oklahoma

1:00 - 2:00 pm: **Lunch**

2:00 pm: Educational Tour of Sderot and other cities along the Israeli border
with **Friends of the Israeli Defense Forces**

7:00 pm: **Dinner**

July 20, 2017

Check Out



April 26, 2017

TO: Each Member,
Board of Retirement

FROM: Insurance, Benefits & Legislative Committee
William de la Garza, Chair
Vivian H. Gray, Vice Chair
Ronald Okum
Alan Bernstein
David Muir, Alternate

FOR: May 11, 2017 Board of Retirement Meeting

SUBJECT: **ISSUANCE OF REQUESTS FOR PROPOSALS FOR STATE AND
FEDERAL LEGISLATIVE ADVOCACY SERVICES CONCERNING
HEALTH, BENEFIT, AND PLAN ADMINISTRATION ISSUES**

RECOMMENDATION

That the Board of Retirement approve the issuance of:

1. A Request for Proposals for state legislative advocacy services on health, benefit, and plan administration issues; and
2. A Request for Proposals for federal legislative advocacy services on health, benefit, and plan administration issues.

LEGAL AUTHORITY

The Board of Retirement's (Board) oversight of legislative affairs and legislative advocacy on health, benefit, and plan administration issues is within the plenary authority and fiduciary duty of the Board under Article XVI, Section 17 of the California Constitution to administer the plan, giving precedence to the interests of members and their beneficiaries. Board oversight concerning these legislative issues is consistent with the Legislative Policy approved in October 2016. In addition, the Board has the authority to select such vendors as are needed to assist in the performance of its duties. Approval of the Requests for Proposals (RFPs) which are the subject of this memo is in keeping with the Board's legal authority as stated above.

DISCUSSION

LACERA and the Board operate in a highly legal environment. Legislative and regulatory action by the state and federal governments can have significant impact on

the plan and its members. The engagement of experienced and knowledgeable state and federal legislative advocates will enable the Board and its Insurance, Benefits & Legislative Committee (IBLC) to stay informed of state and federal legislation, develop appropriate principles, policies, and procedures reflecting LACERA's desired level of legislative activism, and implement legislative strategies with respect to specific issues. Legislative advocates will help LACERA to maintain credibility in Sacramento and Washington, D.C. and make sure that LACERA's voice is heard when needed.

By this memo, the IBLC recommends that the Board authorize the issuance of two separate RFPs for state and federal legislative advocacy services on health, benefit, and plan administration issues. The scope of these RFPs is intended to include all legislative and regulatory issues relevant to LACERA's operations except those related to investments, which will be addressed in due course by the Board of Investments. The proposed state RFP is attached as Exhibit A. The proposed federal RFP is attached as Exhibit B. The current Legislative Policy, which will be included as part of both RFPs, is attached as Exhibit C.

The justification for the RFPs is presented below.

A. State Legislative Advocacy Services

Benefits and plan administration are primarily governed by California state law, including the County Employees Retirement Law of 1937 (CERL) (California Government Code Section 31450, et seq.), the California Public Employees' Pension Reform Act of 2013 (PEPRA) (California Government Code Section 7522, et seq.), and other applicable laws, such as the Brown Act (California Government Code Section 54950, et seq.), the Public Records Act (California Government Code Section 6250, et seq.), and the Political Reform Act (California Government Code Section 81000, et seq.). The Board's fiduciary duties are governed by the California Constitution (Article XVI, Section 17), CERL, and other applicable laws. These laws are subject to change by state legislative and political action.

Benefit and plan administration issues affecting CERL systems such as LACERA have received considerable political attention in recent years as "pension reform" has been promoted and publicized in California. These issues are visible to members, and are a source of concern for many of them. This state level trend is likely to continue in the future, and perhaps even grow in the number and significance of the issues that are raised and their potential impact.

///

In addition to the forces at work internally in California, developments at the federal level may have ripple effects that result in proposals and action in California. For example, the recent threat of changes in federal healthcare law has caused California legislators to consider the possibility of changing California healthcare law, and state level healthcare proposals have already been floated.

In recognition of the important role of state law and legislative developments in LACERA's business, LACERA has long had an internal Legislative Affairs Officer and an external legislative advocate in Sacramento. The same external legislative advocate, Joe Ackler of Ackler & Associates, has served LACERA since 2001. Mr. Ackler has assisted LACERA in its contacts with legislators and legislative and Committee staff. He has helped communicate with other interest groups in the state capital. He has assisted in drafting legislation and has secured sponsorship when LACERA has wanted to present a bill. He has guided LACERA bills, once introduced, through the legislative process. He has helped draft and then has distributed LACERA's position letters when the Board has taken a Support or Oppose position on a bill. He has made periodic Board presentations. However, during the 16-year period since 2001, no RFP has been issued to test the market on services or price.

The proposed RFP, if approved, will give the Board and the IBLC the opportunity to ensure state legislative services on health, benefit, and plan administration issues meet current needs.

B. Federal Legislative Advocacy Services

LACERA's engagement to date at the federal level has been more limited. Staff has made occasional reports, and the Board has taken positions or engaged in advocacy, on certain federal legislation and regulations, such as the Government Pension Offset and the Windfall Elimination Provision in the Social Security law, the excise (or "Cadillac") tax under the Affordable Care Act (ACA), tax qualification, and similar issues. The IBLC has been provided with monthly reports on pending or potential federal legislative and regulatory issues, such as ACA reform, repeal, or replacement, HIPAA, and others. These efforts have been without an external federal legislative advocate. To date, LACERA has relied for federal legislative information on internal staff resources and input from other consultants, such as the external retiree healthcare benefits consultant and tax and fiduciary counsel.

In some areas, such as healthcare, future legislative and regulatory activity at the federal level will be just as important, if not more important, than activity at the state level. As a result, it is appropriate for the Board to retain the same type of legislative

advocacy services for the federal level as at the state level. Following from discussion of activism at the Board offsite in January 2017, engagement of a federal legislative advocate will also assist the Board and IBLC in determining the level of engagement they would like to pursue in Washington, D.C.

C. Key Terms of the RFPs

The RFPs provide detailed information and instructions so that LACERA's expectations of respondents are clear and well-defined. The key terms of the RFPs include:

- The RFPs provide a Background section so that the respondents have a foundation of knowledge as to LACERA's past practices and experience in legislative advocacy at the state and federal levels.
- The RFPs provide an expedited process and timeline so that the selection process will be completed within approximately 90 days from issuance of the RFPs. Specifically, it is expected that candidates for both state and federal services will be presented to the IBLC for interviews at the July 13, 2017 meeting, with final Board approval at the August 10, 2017 Board of Retirement meeting. The RFPs are flexible and will permit such Board involvement, including interviews at the full Board level, as the Board may determine once the finalists have been identified.
- The Scope of Services in both RFPs is comprehensive, including: Monitoring; Bill/Regulation Tracking; Regular Monthly Reports in writing; Development of Strategy (including assistance with the Board's internal principles, policies, and procedures regarding legislative activism); Communication with the Board, IBLC, and Staff; Communication with Interested Parties (including coordination, when appropriate, with the plan sponsor and other interested parties); Legislative Advocacy; Establishment of an Active Presence for LACERA; and Special Projects.
- The Qualifications and Evaluation Criteria include experience, substantive knowledge of LACERA's issues, positive relationships with legislators, regulators, and their staff, a track record of legislative accomplishment, and exceptional written and oral communication skills.
- The RFPs describe the specific elements that must be included in the proposals, including: Cover Letter; Executive Summary; Experience, Approach, and Success; Assigned Professionals; References; Fees and Costs, Billing Practices,


and Payment Terms; Conflicts of Interest; Claims; Insurance; Samples of Written Work; and Other Information.

CONCLUSION

For the reasons stated above, the Insurance, Benefits & Legislative Committee recommends to the Board of Retirement that it approve:

1. A Request for Proposals for state legislative advocacy services on health, benefit, and plan administration issues; and
2. A Request for Proposals for federal legislative advocacy services on health, benefit, and plan administration issues.

Reviewed and Approved.



Gregg Rademacher
Chief Executive Officer

Attachments

- c. Gregg Rademacher
Robert Hill
John J. Popowich
Cassandra Smith
Leilani Ignacio
Barry Lew

Exhibit A
Proposed State RFP

**Los Angeles County Employees Retirement Association
Request for Proposals for
State Legislative Advocacy Services Concerning Health, Pension, and
Plan Administration Issues**

The Los Angeles County Employees Retirement Association (LACERA) invites proposals from experienced state legislative advocates in response to this Request for Proposals (RFP) to provide state legislative advocacy services to LACERA and its Board of Retirement concerning its areas of interest, including but not limited to pension and healthcare benefits, plan administration and governance, and other pension and retirement-related matters.

I. BACKGROUND

A. Organization and Governance

LACERA is a tax-qualified defined benefit public pension fund established to administer retirement, disability, and death benefits for the employees of the County of Los Angeles and other participating agencies pursuant to the County Employees Retirement Law of 1937 (CERL) (California Government Code Section 31450, et seq.), the California Public Employees' Pension Reform Act of 2013 (PEPRA) (California Government Code Section 7522, et seq.), and other applicable California law. LACERA also administers the County's medical and dental retiree health benefits program. LACERA operates as an independent governmental entity separate and distinct from Los Angeles County and the other participating agencies. LACERA has 165,575 members, including 103,682 active members and 61,893 retired members. 48,671 retired members and survivors participate in the medical and/or dental retiree healthcare program. In addition to benefits administration, the fund invests \$47.85 billion in assets to support payment of the promised pension benefits as well as additional sums to support the retiree healthcare program.

LACERA is governed by two separate boards: a Board of Retirement (Board) with responsibility over administration of pension and healthcare benefits and other fund administrative issues, and a Board of Investments with responsibility over funding of the plan and investment of the fund's portfolio. Each board has nine trustees, comprised of four trustees elected by the general, safety, and retired members, four trustees appointed by the County's Board of Supervisors, and the sitting Treasurer and Tax Collector as an ex officio trustee. The Board of Retirement also has two alternate trustees, one elected by safety members and one elected by retired members. The

boards and their trustees have fiduciary duties as defined in Article XVI, Section 17 of the California Constitution and CERL, with duties owed to the plan members and their beneficiaries taking precedence over any other duties.

This RFP concerns state legislative issues relevant to the Board of Retirement.

The Board engages legislative issues according to the framework set forth in the Board-approved Legislative Policy, a copy of which is attached as Exhibit A. The Board has an Insurance, Benefits & Legislative Committee (IBLC), which serves as an initial screen for legislative business. Past agendas and agenda materials of the Board and the IBLC are available on LACERA.com.

At the staff level, legislative issues are the general responsibility of LACERA's internal Legislative Affairs Officers, who is part of the Legal Division and advises the Board and the IBLC on a monthly basis concerning a wide-variety of legislative issues. Staff in the Retiree Healthcare Division advises the Board and the IBLC monthly regarding health-related legislative issues. In addition, staff throughout the organization, including the Member Services, Benefits, Quality Assurance, and Internal Divisions and the Executive Office, is knowledgeable about and deals on a regular basis with and is affected by legislative issues.

B. LACERA's California State Legislative Engagement, and the Rational for this RFP

LACERA, the Board, and the IBLC have a long history of robust engagement with California state legislative issues affecting CERL, PEPR, and other state proposals concerning LACERA's interests. State-level engagement is achieved through Board action guided by LACERA's internal Legislative Affairs Officer, an external state legislative advocate located in Sacramento (the state capital), and other staff.

Examples of LACERA's state legislative engagement include:

- Sponsorship of legislation.
- Monitoring of legislation.
- Communication between staff and the external state legislative advocate.
- Monthly reports by staff to the Board and the IBLC concerning legislative issues.
- Annual Board report by the external legislative advocate.

- Board-approved positions to Support, Oppose, be Neutral, or Watch legislation. Positions are initially presented to the IBLC and then presented to the full Board for final approval. Board action to Support or Oppose will be followed by letters from LACERA's Chief Executive Officer to legislators and the Governor informing them of LACERA's position.
- Leadership positions, including the past president and members of the Legislative Committee and other committees, in the State Association of County Retirement Systems (SACRS), which consists of the 20 California county systems formed, like LACERA, under CERL. Trustees and staff are also frequent speakers on issues at SACRS and other state and national pension organizations, including the California Association of Public Retirement Systems (CALAPRS), the National Conference on Public Employee Retirement Systems (NCPERS), and the National Association of Public Pension Attorneys (NAPPA).
- Periodic staff and executive management trips to Sacramento to meet with LACERA's external legislative advocate, legislators and their staff, or other persons of interest in the capital.

By this RFP, the Board desires to review its existing resources, and equip itself to continue to pursue a high level of state legislative and regulatory engagement when appropriate in the interest of LACERA and its members, through the retention of a state legislative advocate with knowledge and experience with the health and pension benefit and plan administration issues affecting a California public pension system. As explained more fully in the Scope of Services below, LACERA and the Board expect that the state legislative advocate will provide information and reports to staff and the Board about potential and proposed state legislation and regulations, facilitate communication between LACERA, state decision makers, and other groups that may be aligned with LACERA's interests, advise the Board on legislative and regulatory strategies, and implement agreed-upon strategies so that LACERA's voice is heard and may have some influence on state discussion and decision-making.

II. SCOPE OF SERVICES

LACERA seeks to hire an external state legislative advocate (Consultant) to perform the following services with respect to potential, proposed, and actual legislation, regulations, trends, discussion, and debate among decision makers, stakeholders, and other interested parties, relating to health and pension benefit and plan administration issues that may impact LACERA and its active or retired members (State Issues). Examples of State Issues include but are not limited to CERL, PEPR, the Ralph M. Brown Act, the Public Records Act, public pension service retirement benefits, disability retirement

benefits, retiree healthcare benefits, pension reform legislation and initiatives, information and data privacy and protection, fiduciary duties of the Board, pension-related provisions of the California Constitution, public pension plan operations, plan administration and transparency, and the Political Reform Act and other conflicts of interest and ethics legislation and regulations.

- A. Monitoring.** Consultant shall monitor State Issues with all appropriate sources, including members of the Legislature, committees, legislators' and committee staffs, state agencies, and interest groups aligned with or adverse to LACERA's interests. In monitoring, the Consultant shall be aware of relevant time periods associated with legislative or regulatory proposals so that LACERA can be informed and take timely action, if it elects to do so. Consultant shall regularly communicate, verbally and in writing, as appropriate, with LACERA staff on an ongoing basis with respect to relevant matters. Monitoring shall also include an assessment of the impact of a proposal or issue on LACERA and its members.
- B. Bill/Regulation Tracking.** Consultant shall obtain copies of proposed and actual legislation and regulations relating to the State Issues and shall track the progress of such legislation and regulations and other relevant information, including applicable deadlines.
- C. Regular Monthly Bill/Regulation Report to the IBLC; Other Reports.** Consultant shall prepare monthly written reports for the IBLC, in a format to be approved by LACERA, concerning proposed and actual legislation regulations and other activity relevant to the State Issues, including an explanation of the relevance and impact on LACERA and its members. Consultant shall prepare such other written reports as LACERA may request from time to time with respect to State Issues. All such reports shall be delivered in strict adherence to the schedule provided by LACERA so that each report can be included in the Board packet distributed to trustees in advance of their meetings.
- D. Development of Strategy.** Consultant shall work with the Board, the IBLC, and LACERA staff to determine the desired degree of engagement on State Issues and then develop a strategy of legislative advocacy to further LACERA's objectives and interests. Consultant shall assist in the development or revision of internal principles, policies, and procedures relating to LACERA's desired level of activism on legislative issues at the state level.
- E. Communication with the Board, the IBLC, and Staff.** Consultant shall

communicate as needed with LACERA, including at least four personal appearances per year before the Board and the IBLC, so that LACERA is informed and can engage directly with the Consultant regarding State Issues, the implementation of each strategy, and other activities pursued by the Consultant.

- F. Communication with Interested Parties.** Consultant shall communicate as appropriate with all interested parties, including parties supportive of and/or adverse to LACERA’s positions, regarding LACERA’s strategies and priorities and to learn the strategies and priorities of other parties. Consultant shall consider, when appropriate, coordination of communication and action with LACERA stakeholder groups, including the plan sponsor and member organizations.
- G. Legislative Advocacy.** Consultant shall advocate Board-approved positions on legislation and regulations, including direct personal communications with legislators and regulators, correspondence, meetings, testimony, and reports, to the relevant decision makers. The Consultant shall locate bill sponsors when necessary and manage sponsored legislation through the legislative process. These services shall also include distribution of letters and management of other forms of communication, such as personal meetings, with regard to official positions the Board may take on specific legislation. The Consultant shall use other legislative advocacy strategies as needed.
- H. Establish an Active Presence for LACERA.** Consultant shall conduct itself at all times in a manner and shall take such steps as are appropriate within the approved strategy to raise awareness of LACERA’s issues and interests and establish an active, credible presence for LACERA on State Issues with legislators, regulators, and other relevant parties.
- I. Special Projects.** Consultant shall perform special projects, with LACERA’s advance written approval, relating to State Issues.

This RFP relates only to California state legislative advocacy services with regard to State Issues as defined. This RFP does not relate to federal legislative advocacy services, which are the subject of a separate RFP issued concurrently. Interested and qualified parties may respond to both RFPs.

III. QUALIFICATIONS

The ideal Consultant should have:

- At least five (5) years highly responsible and accountable experience managing complex State Issues for public entity clients and advocating directly with legislators and regulators in Sacramento on such issues to achieve client objectives.
- An established office in Sacramento.
- Strong substantive knowledge of the State Issues.
- Experience analyzing legislation and developing legislative and regulatory proposals with respect to State Issues.
- Strong understanding of state legislative advocacy and communication strategies.
- Longstanding and positive working relationships with legislators, regulators, their staff, and other parties in connection with legislative advocacy.
- A track record of accomplishment in legislative advocacy on State Issues.
- A proactive approach to the Scope of Work.
- Exceptional writing skills.
- Exceptional interpersonal and presentation skills.
- The ability to work well with and maintain the confidence of the Board, the IBLC, and staff.
- The ability to deliver services in a timely and cost effective manner.
- Sound judgment.
- No professional and/or ethical conflicts, or the appearance of conflicts, with LACERA's interests, and an approach that reflects strong sensitivity to ethical concerns.
- A strong educational and professional background.

IV. RFP PROCESS

This RFP and other relevant information related to the RFP, including addenda, modifications, answers to questions, and other updates, will be posted on the "RFPs"

page of LACERA.com. Additional background information about LACERA may also be found on LACERA.com.

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Issuance of RFP	May 22, 2017
Written Questions and Requests for Clarification Due	June 6, 2017, 5:00 P.M. PDT
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Estimated Finalist Interviews and Recommendation by the IBLC	July 13, 2017
Estimated Final Selection and Approval by the Board	August 10, 2017

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D. Addenda

Modifications or clarifications of the RFP, if deemed necessary, will be made by addenda to the RFP and posted on LACERA.com.

E. Delivery of Submissions

Submissions must be delivered in PDF or Microsoft Word format via email to blew@lacera.com by the due date stated above in the RFP Calendar. In addition, respondents must send three (3) hard copies of their submissions for delivery by the due date stated in the RFP Calendar addressed to:

LACERA
Attention: Barry Lew
Legislative Affairs Officer
300 North Lake Avenue, Suite 620
Pasadena, CA 91101

See “Notice Regarding the California Public Records Act and Brown Act” in this RFP for information regarding redactions and disclosure.

F. Proposal Format and Content

All responses to this RFP should follow the format described in this Section IV.F. For each part of the response, restate the RFP item immediately above the response. When requested, please provide details and state all qualifications or exceptions. All information provided should be concise and clearly relevant to qualifications to serve as LACERA’s legislative advocate for State Issues.

1. Cover Letter

The cover letter must provide a statement affirming that the signatory is empowered and authorized to bind the respondent to an engagement agreement with LACERA and represents and warrants that the information stated in the proposal is accurate and may be relied upon by LACERA in considering, and potentially accepting, the proposal.

2. Executive Summary

In this section, an overview should be provided of the respondent’s background, experience, and other qualifications to serve as LACERA’s legislative advocate with respect to State Issues.

3. Experience, Approach, and Success

The proposal must provide a detailed statement of the respondent's experience and accomplishments in providing legislative advocacy services on State Issues, including, if subject to disclosure, information concerning such work performed for other public pension systems. LACERA's goal in the RFP process is obtain a comprehensive understanding of the respondent's experience, approach, and success in providing such services. LACERA is also interested in how the respondent differentiates themselves from other firms offering similar services.

4. Assigned Professionals

The proposal must set forth the name of the project lead and all other professional staff expected to be assigned to LACERA work, including a detailed profile of each person's background and relevant individual experience and the ability of the professionals collectively to function together as a team and also to work effectively with the Board, the IBLC, and staff in performing the scope of services.

5. References

In this section, the proposal must identify as references at least three (3) public pension systems, public entities, or other reference for which the respondent has provided state legislative advocacy services on State Issues, including, for each reference, an individual point of contact, the length of time the respondent served as legislative advocate, and a summary of the work performed.

6. Fees and Costs, Billing Practices, and Payment Terms

The respondent must explain the pricing proposal for the scope of work including pricing of fees and costs, billing practices, and payment terms that would apply assuming a five (5) year initial duration of the engagement as well as any additional period during which the engagement may extend. LACERA does not place any limits on the approach to pricing and is open to presentation of more than one pricing alternative for the scope of work, or portions of it. For example, the respondent might propose a monthly fixed fee, with special projects to be performed on an hourly rate basis. This section of the response should include an explanation as to how the pricing approach(es) will be managed to provide the best value to LACERA. The respondent should represent that the pricing offered to LACERA is, and will remain, equivalent to or better than that provided to other governmental clients, or should provide an explanation as to why this representation cannot be provided. All pricing proposals should be "best and final," although LACERA reserves the right to negotiate on pricing.

7. Conflicts of Interest

The proposal must identify all actual or potential conflicts of interest that the respondent may face in the representation of LACERA. Specifically, and without limitation to other actual or potential conflicts, the proposal should identify any representation of the County of Los Angeles, Los Angeles Superior Court, Los Angeles County Office of Education, the South Coast Air Quality Management District, Little Lake Cemetery District, and Local Agency Formation Commission, and, to the respondent's knowledge, any of LACERA's members, vendors, other contracting parties, investments, and employees. The proposal should also identify any positional conflicts of which the respondent is aware.

8. Claims

The proposal must identify all past, pending, or threatened litigation, and all administrative, ethics, and disciplinary investigation or other proceedings and claims against the firm and any of the professionals proposed to provide services to LACERA, whether while such professionals were employed by the firm or employed elsewhere.

9. Insurance

The proposal must explain the insurance that the respondent will provide with respect to the services to be provided and other acts or omission of the firm and its staff in performing legislative advocacy services for LACERA.

10. Samples of Written Work

The proposal may contain samples of the respondent's written work relating to legislative advocacy on State Issues.

11. Other Information

The proposal may contain any other information that the respondent deems relevant to LACERA's selection process.

G. Post-Proposal Requests for Information

LACERA reserves the right in its discretion to request additional information from any respondent, although such requests may not be made to all respondents.

H. Interviews and Personal Presentations

LACERA intends to require one or more interviews with or personal presentations by finalists to be conducted with the Board, the IBLC, and/or staff.

I. Evaluation Criteria

Respondents may be evaluated in the discretion of LACERA based upon the following factors, provided that LACERA may consider any other factors in its discretion:

1. Experience performing legislative advocacy with respect to the State Issues.
2. Substantive knowledge of the State Issues.
3. Quality of the team proposed to provide services to LACERA.
4. Information provided by references.
5. Communications skills.
6. Pricing and value.
7. Team work, both internally and with the Board, the IBLC, and staff.
8. Level of investment and commitment to the LACERA relationship.
9. The organization, completeness, and quality of the proposal, including cohesiveness, conciseness, and clarity.

The factors will be considered as a whole, without a specific weighting. The balancing of the factors is in LACERA's sole discretion. Factors other than those listed may be considered by LACERA in making its selection.

J. Engagement Agreement

LACERA will negotiate an engagement agreement with a successful respondent, which must contain such terms as LACERA in its sole discretion may require.

V. GENERAL CONDITIONS

This RFP is not an offer to contract. Acceptance of a proposal neither commits LACERA to award a contract to any respondent even if all requirements stated in this RFP are met, nor does it limit LACERA's right to negotiate the terms of an engagement agreement in LACERA's best interest, including requirement of terms not mentioned in this RFP. LACERA reserves the right to contract with a vendor for reasons other than lowest price. The evaluation of candidates will be made by LACERA based on its judgment as to the most qualified vendor, which may include both objective and subjective factors given such weight as LACERA may determine in its sole judgment.

Failure to comply with the requirements of this RFP may subject the proposal to disqualification. However, failure to meet a qualification or requirement will not necessarily subject a proposal to disqualification.

Publication of this RFP does not limit LACERA's right to negotiate for the services described in this RFP. If deemed by LACERA to be in its best interests, LACERA may negotiate for the services described in this RFP with a party that did not submit a proposal. LACERA reserves the right to choose to not enter into an agreement with any of the respondents to this RFP. LACERA reserves the right to enter into an agreement with more than one party to provide the services.

A. Notice Regarding the California Public Records Act and Brown Act

The information submitted in response to this RFP will be subject to public disclosure pursuant to the California Public Records Act (California Government Code Section 6250, et. seq.) and the Brown Act (California Government Code Section 54950, et seq.) (collectively, the Acts). The Acts provide generally that records relating to a public agency's business are open to public inspection and copying and that the subject matter of this RFP is a matter for public open session discussion by the Board, unless specifically exempted under one of several exemptions set forth in the Acts. If a respondent believes that any portion of its proposal is exempt from public disclosure or discussion under the Acts, the respondent must provide a full explanation and mark such portion "TRADE SECRETS," "CONFIDENTIAL," or "PROPRIETARY," and make it readily separable from the balance of the response. Proposals marked "TRADE SECRETS," "CONFIDENTIAL," or "PROPRIETARY" in their entirety will not be honored, and LACERA will not deny public disclosure of all or any portion of proposals so marked.

By submitting a proposal with material marked "TRADE SECRETS," "CONFIDENTIAL," or "PROPRIETARY," a respondent represents it has a good faith belief that the material is exempt from disclosure under the Acts; however, such designations will not necessarily be conclusive, and a respondent may be required to justify in writing why such material should not be disclosed by LACERA under the Acts.

LACERA will use reasonable means to ensure that material marked "TRADE SECRETS," "CONFIDENTIAL," or "PROPRIETARY" is safeguarded and held in confidence. LACERA will not be liable, however, for disclosure of such material if deemed appropriate in LACERA's sole discretion. LACERA retains the right to disclose all information provided by a respondent.

If LACERA denies public disclosure of any materials designated as "TRADE SECRETS," "CONFIDENTIAL," or "PROPRIETARY", the respondent agrees to

reimburse LACERA for, and to indemnify, defend and hold harmless LACERA, its Boards, officers, fiduciaries, employees and agents from and against:

1. Any and all claims, damages, losses, liabilities, suits, judgments, fines, penalties, costs and expenses. including without limitation attorneys' fees, expenses and court costs of any nature whatsoever (collectively, Claims) arising from or relating to LACERA's non-disclosure of any such designated portions of a proposal; and
2. Any and all Claims arising from or relating to LACERA's public disclosure of any such designated portions of a proposal if LACERA reasonably determines disclosure is deemed required by law, or if disclosure is ordered by a court of competent jurisdiction.

If LACERA staff recommends any respondent to the IBLC and Board for hiring, such recommendation, the reasons for the recommendation, and the relevant proposal(s) will appear on a publicly posted agenda and in supporting materials for public meetings of the IBLC and Board.

B. Reservations by LACERA

In addition to the other provisions of this RFP, LACERA reserves the right to:

1. Cancel this RFP, in whole or in part, at any time.
2. Make such investigation as it deems necessary to determine the respondent's ability to furnish the required services, and the respondent agrees to furnish all such information for this purpose as LACERA may request.
3. Reject the proposal of any respondent who is not currently in a position to perform the contract, or who has previously failed to perform similar contracts properly, or in a timely manner, or for any other reason in LACERA's sole discretion.
4. Reject all proposals submitted in response to this RFP.
5. Waive irregularities, to negotiate in any manner necessary to best serve the public interest, and to make a whole award, multiple awards, a partial award, or no award.
6. Award a contract, if at all, to the firm which will provide the best match to the requirements of the RFP and the service needs of LACERA in

LACERA's sole discretion, which may not be the proposal offering the lowest fees.

7. Determine the extent, without limitation, to which the services of a successful respondent are or are not actually utilized.

C. Ownership of Proposals

The information that a respondent submits in response to this RFP becomes the exclusive property of LACERA. LACERA will not return any proposal.

D. Valid Period of Proposal

The pricing, terms, conditions, and other information stated in each proposal must remain valid for 120 days from the date of delivery of the proposal to LACERA.

E. Cost of Proposal

LACERA shall not be liable for any costs respondents incur in connection with the preparation or submission of a proposal.

Exhibit B

Proposed Federal RFP

**Los Angeles County Employees Retirement Association
Request for Proposals for
Federal Legislative Advocacy Services Concerning Health, Pension,
and Plan Administration Issues**

The Los Angeles County Employees Retirement Association (LACERA) invites proposals from experienced federal legislative advocates in response to this Request for Proposals (RFP) to provide federal legislative advocacy services to LACERA and its Board of Retirement concerning its areas of interest, including but not limited to retiree healthcare, Social Security, pension benefits, plan administration, tax and tax qualification, and other pension and retirement-related matters.

I. BACKGROUND

A. Organization and Governance

LACERA is a tax-qualified defined benefit public pension fund established to administer retirement, disability, and death benefits for the employees of the County of Los Angeles and other participating agencies pursuant to the County Employees Retirement Law of 1937 (CERL) (California Government Code Section 31450, et seq.), the California Public Employees' Pension Reform Act of 2013 (PEPRA) (California Government Code Section 7522, et seq.), and other applicable California law. LACERA also administers the County's medical and dental retiree health benefits program. LACERA operates as an independent governmental entity separate and distinct from Los Angeles County and the other participating agencies. LACERA has 165,575 members, including 103,682 active members and 61,893 retired members. 48,671 retired members and survivors participate in the medical and/or dental retiree healthcare program. In addition to benefits administration, the fund invests \$47.85 billion in assets to support payment of the promised pension benefits as well as additional sums to support the retiree healthcare program.

LACERA is governed by two separate boards: a Board of Retirement (Board) with responsibility over administration of pension and healthcare benefits and other fund administrative issues, and a Board of Investments with responsibility over funding of the plan and investment of the fund's portfolio. Each board has nine trustees, comprised of four trustees elected by the general, safety, and retired members, four trustees appointed by the County's Board of Supervisors, and the sitting Treasurer and Tax Collector as an ex officio trustee. The Board of Retirement also has two alternate trustees, one elected by safety members and one elected by retired members. The

boards and their trustees have fiduciary duties as defined in Article XVI, Section 17 of the California Constitution and CERL, with duties owed to the plan members and their beneficiaries taking precedence over any other duties.

This RFP concerns federal legislative issues relevant to the Board of Retirement.

The Board engages legislative issues according to the framework set forth in the Board-approved Legislative Policy, a copy of which is attached as Exhibit A. The Board has an Insurance, Benefits & Legislative Committee (IBLC), which serves as an initial screen for legislative business. Past agendas and agenda materials of the Board and the IBLC are available on LACERA.com.

At the staff level, legislative issues are the general responsibility of LACERA's internal Legislative Affairs Officers, who is part of the Legal Division and advises the Board and the IBLC on a monthly basis concerning a wide-variety of legislative issues. Staff in the Retiree Healthcare Division advises the Board and the IBLC monthly regarding health-related legislative issues. In addition, staff throughout the organization, including the Member Services, Benefits, Quality Assurance, and Internal Divisions and the Executive Office, is knowledgeable about and deals on a regular basis with and is affected by legislative issues.

B. LACERA's California State Legislative Engagement

LACERA, the Board, and the IBLC have a long history of robust engagement with California state legislative issues affecting CERL, PEPRA, and other state proposals concerning LACERA's interests. State-level engagement is achieved through Board action guided by LACERA's internal Legislative Affairs Officer, an external state legislative advocate located in Sacramento (the state capital), and other staff.

Examples of LACERA's state legislative engagement include:

- Sponsorship of legislation.
- Monitoring of legislation.
- Communication between staff and the external state legislative advocate.
- Monthly reports by staff to the Board and the IBLC concerning legislative issues.
- Annual Board report by the external legislative advocate.
- Board-approved positions to Support, Oppose, be Neutral, or Watch

legislation. Positions are initially presented to the IBLC and then presented to the full Board for final approval. Board action to Support or Oppose will be followed by letters from LACERA's Chief Executive Officer to legislators and the Governor informing them of LACERA's position.

- Leadership positions, including the past president and members of the Legislative Committee and other committees, in the State Association of County Retirement Systems (SACRS), which consists of the 20 California county systems formed, like LACERA, under CERL. Trustees and staff are also frequent speakers on issues at SACRS and other state and national pension organizations, including the California Association of Public Retirement Systems (CALAPRS), the National Conference on Public Employee Retirement Systems (NCPERS), and the National Association of Public Pension Attorneys (NAPPA).
- Periodic staff and executive management trips to Sacramento to meet with LACERA's external legislative advocate, legislators and their staff, or other persons of interest in the capital.

C. LACERA's Federal Legislative Engagement, and The Rationale for This RFP

LACERA's engagement to date at the federal level has been more limited. Staff has made reports, and the Board has taken positions or engaged in advocacy, on certain federal legislation and regulations, such as the Government Pension Offset, the Windfall Elimination Provision, excise (or "Cadillac") tax under the Affordable Care Act (ACA), tax qualification, and similar issues. The Board and the IBLC have also received monthly reports on pending or potential federal legislative and regulatory issues, such as ACA reform, repeal, or replacement. These efforts have been made without an external federal legislative advocate. LACERA has relied on internal staff resources and input from other consultants, such as the external retiree healthcare benefits consultant and tax and fiduciary counsel.

This Board desires to supplement its existing resources, and equip itself to pursue a greater level of federal legislative and regulatory engagement when appropriate in the interest of LACERA and its members, through the retention of a federal legislative advocate with knowledge and experience with federal health and pension benefit issues. As explained more fully in the Scope of Services below, LACERA and the Board expect that the federal legislative advocate will provide information and reports to staff and the Board about potential and proposed federal legislation and regulations, facilitate communication between LACERA, federal decision makers, and other groups that may be aligned with LACERA's interests, advise the Board on legislative and

regulatory strategies, and implement agreed-upon strategies so that LACERA's voice is heard and may have some influence on federal discussion and decision-making.

II. SCOPE OF SERVICES

LACERA seeks to hire an external federal legislative advocate (Consultant) to perform the following services with respect to potential, proposed, and actual legislation, regulations, trends, discussion, and debate among decision makers, stakeholders, and other interested parties, relating to health and pension benefit and plan administration issues that may impact LACERA and its active or retired members (Federal Issues). Examples of Federal Issues include but are not limited to the ACA and any repeal or replacement, Medicare, Medicaid, retiree healthcare generally, Social Security, pension benefits, HIPAA and information privacy and protection, fiduciary duties of the Board, public pension plan operations, tax and tax qualification, and plan administration and transparency.

- A. Monitoring.** Consultant shall monitor Federal Issues with all appropriate sources, including members of Congress, committees, congressional and committee staffs, federal agencies, and interest groups aligned with or adverse to LACERA's interests. In monitoring, the Consultant shall be aware of relevant time periods associated with legislative or regulatory proposals so that LACERA can be informed and take timely action, if it elects to do so. Consultant shall regularly communicate, verbally and in writing, as appropriate, with LACERA staff on an ongoing basis with respect to relevant matters. Monitoring shall also include an assessment of the impact of a proposal or issue on LACERA and its members.
- B. Bill/Regulation Tracking.** Consultant shall obtain copies of proposed and actual legislation and regulations relating to the Federal Issues and shall track the progress of such legislation and regulations and other relevant information, including applicable deadlines.
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- D. Development of Strategy.** Consultant shall work with the Board, the IBLC, and LACERA staff to determine the desired degree of engagement on Federal Issues and then develop a strategy of legislative advocacy to further LACERA's objectives and interests. Consultant shall assist in the development or revision of internal principles, policies, and procedures relating to LACERA's desired level of activism on legislative issues at the federal level.
- E. Communication with the Board, the IBLC, and Staff.** Consultant shall communicate as needed with LACERA, including at least four personal appearances per year before the Board and the IBLC, so that LACERA is informed and can engage directly with the Consultant regarding Federal Issues, the implementation of each strategy, and other activities pursued by the Consultant.
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III. QUALIFICATIONS

The ideal Consultant should have:

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- An established office in Washington, D.C.
- Strong substantive knowledge of Federal Issues.
- Experience analyzing legislation and developing legislative and regulatory proposals with respect to Federal Issues.
- Strong understanding of federal legislative advocacy and communication strategies.
- Longstanding and positive working relationships with legislators, regulators, their staff, and other parties in connection with legislative advocacy.
- A track record of accomplishment in legislative advocacy on Federal Issues.
- A proactive approach to the Scope of Work.
- Exceptional writing skills.
- Exceptional interpersonal and presentation skills.
- The ability to work well with and maintain the confidence of the Board, the IBLC, and staff.
- The ability to deliver services in a timely and cost effective manner.
- Sound judgment.

- No professional and/or ethical conflicts, or the appearance of conflicts, with LACERA’s interests, and an approach that reflects strong sensitivity to ethical concerns.
- A strong educational and professional background.

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the date stated in the RFP Calendar.

C. Errors in the RFP

If a respondent discovers an ambiguity, conflict, discrepancy, omission or other error in this RFP, notice should be immediately provided to blew@lacera.com. LACERA is not responsible for, and has no liability for or obligation to correct, any errors or omissions in this RFP.

D. Addenda

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LACERA
Attention: Barry Lew
Legislative Affairs Officer
300 North Lake Avenue, Suite 620
Pasadena, CA 91101

See “Notice Regarding the California Public Records Act and Brown Act” in this RFP for information regarding redactions and disclosure.

F. Proposal Format and Content

All responses to this RFP should follow the format described in this Section IV.F. For each part of the response, restate the RFP item immediately above the response. When requested, please provide details and state all qualifications or exceptions. All information provided should be concise and clearly relevant to qualifications to serve as LACERA’s legislative advocate for Federal Issues.

1. Cover Letter

The cover letter must provide a statement affirming that the signatory is empowered and authorized to bind the respondent to an engagement agreement with LACERA and represents and warrants that the information stated in the proposal is accurate and may

be relied upon by LACERA in considering, and potentially accepting, the proposal.

2. *Executive Summary*

In this section, an overview should be provided of the respondent's background, experience, and other qualifications to serve as LACERA's legislative advocate with respect to Federal Issues.

3. *Experience, Approach, and Success*

The proposal must provide a detailed statement of the respondent's experience and accomplishments in providing legislative advocacy services on Federal Issues, including, if subject to disclosure, information concerning such work performed for other public pension systems. LACERA's goal in the RFP process is obtain a comprehensive understanding of the respondent's experience, approach, and success in providing such services. LACERA is also interested in how the respondent differentiates themselves from other firms offering similar services.

4. *Assigned Professionals*

The proposal must set forth the name of the project lead and all other professional staff expected to be assigned to LACERA work, including a detailed profile of each person's background and relevant individual experience and the ability of the professionals collectively to function together as a team and also to work effectively with the Board, the IBLC, and staff in performing the scope of services.

5. *References*

In this section, the proposal must identify as references at least three (3) public pension systems, public entities, or other reference for which the respondent has provided federal legislative advocacy services on Federal Issues, including, for each reference, an individual point of contact, the length of time the respondent served as legislative advocate, and a summary of the work performed.

6. *Fees and Costs, Billing Practices, and Payment Terms*

The respondent must explain the pricing proposal for the scope of work including pricing of fees and costs, billing practices, and payment terms that would apply assuming a five (5) year initial duration of the engagement as well as any additional period during which the engagement may extend. LACERA does not place any limits on the approach to pricing and is open to presentation of more than one pricing alternative for the scope of work, or portions of it. For example, the respondent might propose a monthly fixed fee, with special projects to be performed on an hourly rate basis. This section of the

response should include an explanation as to how the pricing approach(es) will be managed to provide the best value to LACERA. The respondent should represent that the pricing offered to LACERA is, and will remain, equivalent to or better than that provided to other governmental clients, or should provide an explanation as to why this representation cannot be provided. All pricing proposals should be “best and final,” although LACERA reserves the right to negotiate on pricing.

7. *Conflicts of Interest*

The proposal must identify all actual or potential conflicts of interest that the respondent may face in the representation of LACERA. Specifically, and without limitation to other actual or potential conflicts, the proposal should identify any representation of the County of Los Angeles, Los Angeles Superior Court, Los Angeles County Office of Education, the South Coast Air Quality Management District, Little Lake Cemetery District, and Local Agency Formation Commission, and, to the respondent’s knowledge, any of LACERA’s members, vendors, other contracting parties, investments, and employees. The proposal should also identify any positional conflicts of which the respondent is aware.

8. *Claims*

The proposal must identify all past, pending, or threatened litigation, and all administrative, ethics, and disciplinary investigation or other proceedings and claims against the firm and any of the professionals proposed to provide services to LACERA, whether while such professionals were employed by the firm or employed elsewhere.

9. *Insurance*

The proposal must explain the insurance that the respondent will provide with respect to the services to be provided and other acts or omission of the firm and its staff in performing legislative advocacy services for LACERA.

10. *Samples of Written Work*

The proposal may contain samples of the respondent’s written work relating to legislative advocacy on Federal Issues.

11. *Other Information*

The proposal may contain any other information that the respondent deems relevant to LACERA’s selection process.

G. Post-Proposal Requests for Information

LACERA reserves the right in its discretion to request additional information from any respondent, although such requests may not be made to all respondents.

H. Interviews and Personal Presentations

LACERA intends to require one or more interviews with or personal presentations by finalists to be conducted with the Board, the IBLC, and/or staff.

I. Evaluation Criteria

Respondents may be evaluated in the discretion of LACERA based upon the following factors, provided that LACERA may consider any other factors in its discretion:

1. Experience performing legislative advocacy with respect to the Federal Issues.
2. Substantive knowledge of the Federal Issues.
3. Quality of the team proposed to provide services to LACERA.
4. Information provided by references.
5. Communications skills.
6. Pricing and value.
7. Team work, both internally and with the Board, the IBLC, and staff.
8. Level of investment and commitment to the LACERA relationship.
9. The organization, completeness, and quality of the proposal, including cohesiveness, conciseness, and clarity.

The factors will be considered as a whole, without a specific weighting. The balancing of the factors is in LACERA's sole discretion. Factors other than those listed may be considered by LACERA in making its selection.

J. Engagement Agreement

LACERA will negotiate an engagement agreement with a successful respondent, which must contain such terms as LACERA in its sole discretion may require.

V. GENERAL CONDITIONS

This RFP is not an offer to contract. Acceptance of a proposal neither commits LACERA to award a contract to any respondent even if all requirements stated in this RFP are met, nor does it limit LACERA's right to negotiate the terms of an engagement agreement in LACERA's best interest, including requirement of terms not mentioned in this RFP. LACERA reserves the right to contract with a vendor for reasons other than lowest price. The evaluation of candidates will be made by LACERA based on its judgment as to the most qualified vendor, which may include both objective and subjective factors given such weight as LACERA may determine in its sole judgment.

Failure to comply with the requirements of this RFP may subject the proposal to disqualification. However, failure to meet a qualification or requirement will not necessarily subject a proposal to disqualification.

Publication of this RFP does not limit LACERA's right to negotiate for the services described in this RFP. If deemed by LACERA to be in its best interests, LACERA may negotiate for the services described in this RFP with a party that did not submit a proposal. LACERA reserves the right to choose to not enter into an agreement with any of the respondents to this RFP. LACERA reserves the right to enter into an agreement with more than one party to provide the services.

A. Notice Regarding the California Public Records Act and Brown Act

The information submitted in response to this RFP will be subject to public disclosure pursuant to the California Public Records Act (California Government Code Section 6250, et. seq.) and the Brown Act (California Government Code Section 54950, et seq.) (collectively, the Acts). The Acts provide generally that records relating to a public agency's business are open to public inspection and copying and that the subject matter of this RFP is a matter for public open session discussion by the Board, unless specifically exempted under one of several exemptions set forth in the Acts. If a respondent believes that any portion of its proposal is exempt from public disclosure or discussion under the Acts, the respondent must provide a full explanation and mark such portion "TRADE SECRETS," "CONFIDENTIAL," or "PROPRIETARY," and make it readily separable from the balance of the response. Proposals marked "TRADE SECRETS," "CONFIDENTIAL," or "PROPRIETARY" in their entirety will not be honored, and LACERA will not deny public disclosure of all or any portion of proposals so marked.

By submitting a proposal with material marked "TRADE SECRETS," "CONFIDENTIAL," or "PROPRIETARY," a respondent represents it has a good faith belief that the material is exempt from disclosure under the Acts; however, such designations will not

necessarily be conclusive, and a respondent may be required to justify in writing why such material should not be disclosed by LACERA under the Acts.

LACERA will use reasonable means to ensure that material marked “TRADE SECRETS,” “CONFIDENTIAL,” or “PROPRIETARY” is safeguarded and held in confidence. LACERA will not be liable, however, for disclosure of such material if deemed appropriate in LACERA’s sole discretion. LACERA retains the right to disclose all information provided by a respondent.

If LACERA denies public disclosure of any materials designated as “TRADE SECRETS,” “CONFIDENTIAL,” or “PROPRIETARY”, the respondent agrees to reimburse LACERA for, and to indemnify, defend and hold harmless LACERA, its Boards, officers, fiduciaries, employees and agents from and against:

1. Any and all claims, damages, losses, liabilities, suits, judgments, fines, penalties, costs and expenses. including without limitation attorneys’ fees, expenses and court costs of any nature whatsoever (collectively, Claims) arising from or relating to LACERA’s non-disclosure of any such designated portions of a proposal; and
2. Any and all Claims arising from or relating to LACERA’s public disclosure of any such designated portions of a proposal if LACERA reasonably determines disclosure is deemed required by law, or if disclosure is ordered by a court of competent jurisdiction.

If LACERA staff recommends any respondent to the IBLC and Board for hiring, such recommendation, the reasons for the recommendation, and the relevant proposal(s) will appear on a publicly posted agenda and in supporting materials for public meetings of the IBLC and Board.

B. Reservations by LACERA

In addition to the other provisions of this RFP, LACERA reserves the right to:

1. Cancel this RFP, in whole or in part, at any time.
2. Make such investigation as it deems necessary to determine the respondent’s ability to furnish the required services, and the respondent agrees to furnish all such information for this purpose as LACERA may request.
3. Reject the proposal of any respondent who is not currently in a position to perform the contract, or who has previously failed to perform similar

contracts properly, or in a timely manner, or for any other reason in LACERA's sole discretion.

4. Reject all proposals submitted in response to this RFP.
5. Waive irregularities, to negotiate in any manner necessary to best serve the public interest, and to make a whole award, multiple awards, a partial award, or no award.
6. Award a contract, if at all, to the firm which will provide the best match to the requirements of the RFP and the service needs of LACERA in LACERA's sole discretion, which may not be the proposal offering the lowest fees.
7. Determine the extent, without limitation, to which the services of a successful respondent are or are not actually utilized.

C. Ownership of Proposals

The information that a respondent submits in response to this RFP becomes the exclusive property of LACERA. LACERA will not return any proposal.

D. Valid Period of Proposal

The pricing, terms, conditions, and other information stated in each proposal must remain valid for 120 days from the date of delivery of the proposal to LACERA.

E. Cost of Proposal

LACERA shall not be liable for any costs respondents incur in connection with the preparation or submission of a proposal.

Exhibit C
Legislative Policy

LACERA LEGISLATIVE POLICY

Restated
and Approved:

Board of Retirement: October 13, 2016
Board of Investments: October 12, 2016

Table of Contents

Statement of Mission and Purpose	3
Legislative Policy Standards	5
Definitions of Board Positions.....	8
Legislative Analysis Memorandum Format.....	10
Action between Board Meetings.....	12
Ballot Measures	13
Status Reports.....	14
Legislative Process.....	15

Statement of Mission and Purpose

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

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

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

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

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

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

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

The purpose of this Legislative Policy is to:

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

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

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

Legislative Policy Standards

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

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

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

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

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

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

Board of Retirement

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

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

Board of Investments

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

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

Board of Retirement & Board of Investments

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

Definitions of Board Positions

SPONSOR OR CO-SPONSOR

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

SUPPORT

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

SUPPORT IF AMENDED

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

NEUTRAL

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

OPPOSE

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

OPPOSE UNLESS AMENDED

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

WATCH

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

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

Legislative Analysis Memorandum Format

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

Date

TO:

FROM:

FOR:

SUBJECT: **Bill Number**

Author:

Sponsor:

Introduced:

Amended:

Status:

Board Position:

Committee Recommendation:

Staff Recommendation:

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

RECOMMENDATION

[This section states staff's or the Committee's recommendation to the Board.]

LEGISLATIVE POLICY STANDARD

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

SUMMARY

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

ANALYSIS

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

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD

[This section restates staff's or the Committee's recommendation and summary or concluding comments.]

Attachments

Attachment 1—Board Positions Adopted On Related Legislation

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

Attachment 2—Support And Opposition

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

Bill Text

Action between Board Meetings

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

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

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

Staff will take the following actions:

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

Ballot Measures

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

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

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

- Providing informational staff reports and analysis on the ballot measure's effect in a meeting open to the public.
- Providing a recommendation for the Board to take a position on the ballot measure in a meeting open to the public where all perspectives can be shared. (The Board may or may not take a position on any ballot measure. The Board may take a position when it determines it is necessary to publicly express its opinion for or against a matter on which it feels strongly with respect to its impact on LACERA.)
- Providing the Board's position and views on the ballot measure's merits and effects to interested stakeholders and organizations.
- Responding to inquiries from stakeholders and the public regarding the Board's position and views on the ballot measure.

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

Status Reports

For bills on which the Boards have taken a position, staff will provide a monthly status report listing each bill, its current status in the legislative process, and copies of communications used for lobbying the Legislature. The status report will be included in the green folders provided to the Board of Retirement and Board of Investments before regularly scheduled board meetings.

At the end of each legislative session, staff will provide a year-end report of all the bills on which the Boards had taken a position and their final disposition.

Legislative Process

The following pages include an outline¹ and a flowchart² of the California legislative process through which a bill becomes law. In general, bills in the federal legislative process move through similar stages.

¹ Overview of Legislative Process – Official California Legislative Information (<http://www.leginfo.ca.gov/bil2lawx.html>).

² The Life Cycle of Legislation: From Idea into Law. California Legislature: Assembly Rules Committee.

OVERVIEW OF LEGISLATIVE PROCESS

The process of government by which bills are considered and laws enacted is commonly referred to as the Legislative Process. The California State Legislature is made up of two houses: the Senate and the Assembly. There are 40 Senators and 80 Assembly Members representing the people of the State of California. The Legislature has a legislative calendar containing important dates of activities during its two-year session.

Idea

All legislation begins as an idea or concept. Ideas and concepts can come from a variety of sources. The process begins when a Senator or Assembly Member decides to author a bill.

The Author

A Legislator sends the idea for the bill to the Legislative Counsel where it is drafted into the actual bill. The draft of the bill is returned to the Legislator for introduction. If the author is a Senator, the bill is introduced in the Senate. If the author is an Assembly Member, the bill is introduced in the Assembly.

First Reading/Introduction

A bill is introduced or read the first time when the bill number, the name of the author, and the descriptive title of the bill is read on the floor of the house. The bill is then sent to the Office of State Printing. No bill may be acted upon until 30 days has passed from the date of its introduction.

Committee Hearings

The bill then goes to the Rules Committee of the house of origin where it is assigned to the appropriate policy committee for its first hearing. Bills are assigned to policy committees according to subject area of the bill. For example, a Senate bill dealing with health care facilities would first be assigned to the Senate Health and Human Services Committee for policy review. Bills that require the expenditure of funds must also be heard in the fiscal committees: Senate Appropriations or Assembly Appropriations. Each house has a number of policy committees and a fiscal committee. Each committee is made up of a specified number of Senators or Assembly Members.

During the committee hearing the author presents the bill to the committee and testimony can be heard in support of or opposition to the bill. The committee then votes by passing the bill, passing the bill as amended, or defeating the bill. Bills can be amended several times. Letters of support or opposition are important and should be mailed to the author and committee members before the bill is scheduled to be heard in committee. It takes a majority vote of the full committee membership for a bill to be passed by the committee.

Each house maintains a schedule of legislative committee hearings. Prior to a bill's hearing, a bill analysis is prepared that explains current law, what the bill is intended to do, and some background information. Typically the analysis also lists organizations that support or oppose the bill.

Second and Third Reading

Bills passed by committees are read a second time on the floor in the house of origin and then assigned to third reading. Bill analyses are also prepared prior to third reading. When a bill is read the third time it is explained by the author, discussed by the Members and voted on by a roll call vote. Bills that require an appropriation or that take effect immediately, generally require 27 votes in the Senate and 54 votes in the Assembly to be passed. Other bills generally require 21 votes in the Senate and 41 votes in the Assembly. If a

bill is defeated, the Member may seek reconsideration and another vote.

Repeat Process in other House

Once the bill has been approved by the house of origin it proceeds to the other house where the procedure is repeated.

Resolution of Differences

If a bill is amended in the second house, it must go back to the house of origin for concurrence, which is agreement on the amendments. If agreement cannot be reached, the bill is referred to a two house conference committee to resolve differences. Three members of the committee are from the Senate and three are from the Assembly. If a compromise is reached, the bill is returned to both houses for a vote.

Governor

If both houses approve a bill, it then goes to the Governor. The Governor has three choices. The Governor can sign the bill into law, allow it to become law without his or her signature, or veto it. A governor's veto can be overridden by a two thirds vote in both houses. Most bills go into effect on the first day of January of the next year. Urgency measures take effect immediately after they are signed or allowed to become law without signature.

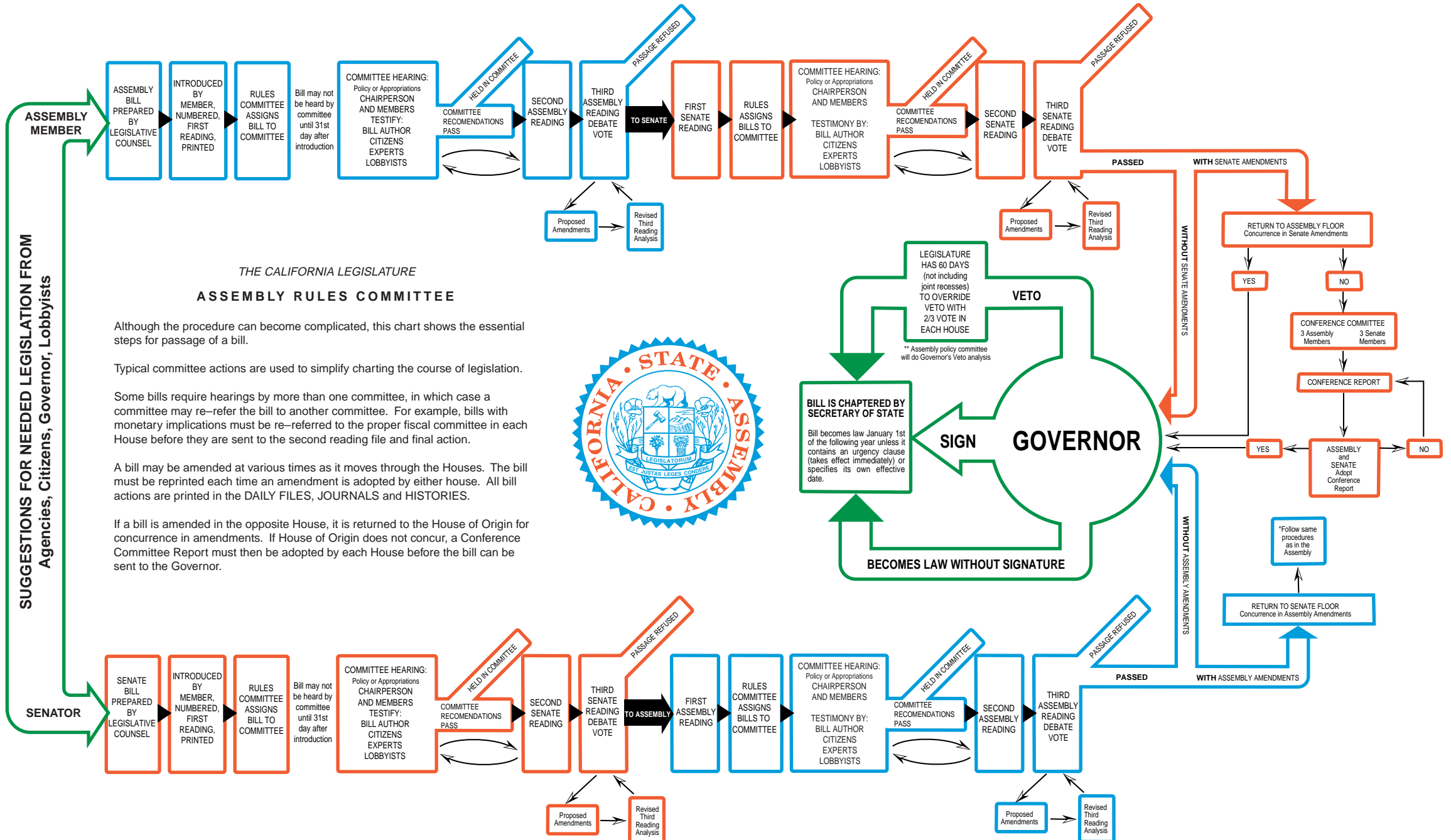
California Law

Bills that are passed by the Legislature and approved by the Governor are assigned a chapter number by the Secretary of State. These Chaptered Bills (also referred to as Statutes of the year they were enacted) then become part of the California Codes. The California Codes are a comprehensive collection of laws grouped by subject matter.

The California Constitution sets forth the fundamental laws by which the State of California is governed. All amendments to the Constitution come about as a result of constitutional amendments presented to the people for their approval.

THE LIFE CYCLE OF LEGISLATION

From Idea into Law



THE CALIFORNIA LEGISLATURE

ASSEMBLY RULES COMMITTEE

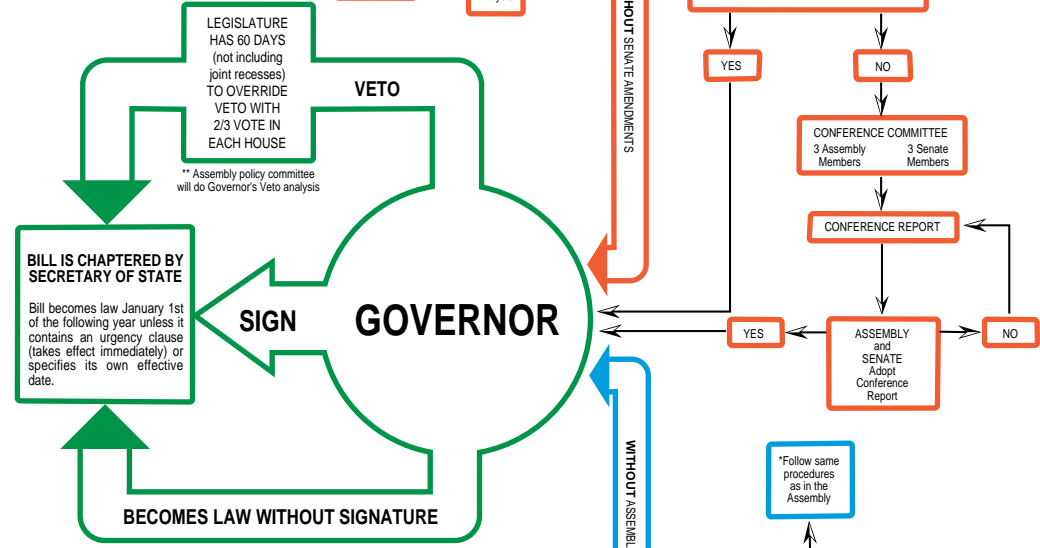
Although the procedure can become complicated, this chart shows the essential steps for passage of a bill.

Typical committee actions are used to simplify charting the course of legislation.

Some bills require hearings by more than one committee, in which case a committee may re-refer the bill to another committee. For example, bills with monetary implications must be re-referred to the proper fiscal committee in each House before they are sent to the second reading file and final action.

A bill may be amended at various times as it moves through the Houses. The bill must be reprinted each time an amendment is adopted by either house. All bill actions are printed in the DAILY FILES, JOURNALS and HISTORIES.

If a bill is amended in the opposite House, it is returned to the House of Origin for concurrence in amendments. If House of Origin does not concur, a Conference Committee Report must then be adopted by each House before the bill can be sent to the Governor.



SUGGESTIONS FOR NEEDED LEGISLATION FROM
 Agencies, Citizens, Governor, Lobbyists
ASSEMBLY MEMBER
SENATOR

May 1, 2017

TO: Each Member
Board of Retirement

FROM: Insurance, Benefits and Legislative Committee
William de la Garza, Chair
Vivian H. Gray, Vice Chair
Ronald Okum
Alan Bernstein
David Muir, Alternate

FOR: May 11, 2017 Board of Retirement Meeting

SUBJECT: **Senate Constitutional Amendment 10—Voter Approval of Retirement Benefit Increases**

*Author: Moorlach [R]
Sponsor: Author-sponsored
Introduced: February 17, 2017
Status: Referred to SENATE Committee on Public Employment & Retirement and Committee on Elections & Constitutional Amendments (03/02/2017)*

*IBLC Recommendation: Oppose (04/13/2017)
Staff Recommendation: Neutral*

RECOMMENDATION

That the Board of Retirement adopt an “Oppose” position on Senate Constitutional Amendment 10 unless pulled from the Senate Committee, which requires retirement benefit increases to be approved by a two-thirds vote of the electorate.

LEGISLATIVE POLICY STANDARD

The Board of Retirement’s legislative policy standard is to oppose proposals that infringe on the Board of Retirement’s plenary authority or fiduciary responsibility (Legislative Policy, page 6). The Board of Retirement has the authority to determine before April 1 of each year whether there has been an increase or decrease in the cost of living. The Board of Retirement also has the authority to determine whether pay items are includible as compensation earnable or pensionable compensation. SCA 10 would require that increasing the rate of cost-of-living adjustments and expanding the categories of pay included in pension calculations would be subject to approval by two-thirds of the electorate of the applicable jurisdiction.

SUMMARY

SCA 10 is a legislatively referred constitutional amendment that would prohibit a government employer from providing any retirement benefit increase to a public employee unless that increase is approved by a two-thirds vote of the electorate in the applicable jurisdiction and the vote is certified.

ANALYSIS

A “government employer” is defined as the state and any political subdivisions of the state, including but not limited to various public entities. Charter counties such as the County of Los Angeles would be included in the definition of a government employer.

“Retirement benefits” would include defined benefit pension plans, defined contribution plans, retiree health care plans, or any form of deferred compensation offered by a government employer.

A “benefit increase” is defined as any change that increases the value of an employee’s retirement benefit, including:

- Increasing a benefit formula.
- Increasing the rate of cost-of-living adjustments.
- Expanding categories of pay included in pension calculations.
- Reducing a vesting period.
- Lowering the eligible retirement age.
- Otherwise providing a new economic advantage for a government employee.

Retirement benefit increases generally result from a process of collective bargaining between employee organizations and employers. The agreements reached under the collective bargaining process are embodied in a memorandum of understanding. In the case of retirement benefit increases, legislative changes to applicable law are often necessary to implement the increases. For example, in 2001, the County of Los Angeles and its employee organizations reached agreement on several enhancements to retirement benefits administered by LACERA that were implemented under AB 399 (Chapter 778, Statutes of 2001).

The requirement under SCA 10 for voter approval of benefit increases is similar to provisions in two ballot measures that were proposed in 2015: the “Voter Empowerment Act of 2016” (15-0033) and its amended version also entitled “Voter Empowerment Act of 2016” (15-0076). Those measures prohibited government employers from enhancing the pension benefits of any employee in a defined benefit plan unless the voters of that jurisdiction approve that enhancement. “Benefit enhancement” was defined in a similar manner as “benefit increase” in SCA 10.

Two of the items specified as “benefit increases” may infringe on Board of Retirement’s plenary authority. The Board of Retirement has the authority to determine before April 1 of each year whether there has been an increase or decrease in the cost of living. The Board of Retirement also has the authority to determine whether pay items are includible as compensation earnable or pensionable compensation. SCA 10 would require that increasing the rate of cost-of-living adjustments and expanding the categories of pay included in pension calculations would be subject to approval by two-thirds of the electorate of the applicable jurisdiction.

Moreover, SCA 10 provides an overly broad definition of benefit increase that would include anything that provides a new economic advantage for a government employee. For example, decreased premium rates, lower deductibles, or lower co-payments in the retiree health care plan might be considered economic advantages to the member. There might also be changes in actuarial factors that would lower the cost of certain service credit purchases based on a present value calculation. Although these would appear to be economically advantageous to the member, they result from plan experience, changes in actuarial assumptions, and renewal negotiations rather than enhancements of existing benefits. Voter approval of these economic advantages would create unreasonable complexity in the administration of retirement benefits.

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD adopt an “Oppose” position on Senate Constitutional Amendment 10 unless pulled from the Senate Committee, which requires retirement benefit increases to be approved by a two-thirds vote of the electorate.

Attachments

Attachment 1—Board Positions Adopted on Related Legislation

Attachment 2—Support And Opposition

SCA 10 (Moorlach) as introduced on February 17, 2017

cc: Gregg Rademacher
Robert Hill
John Popowich
Fern Billingsy
Johanna Fontenot
Michael Herrera
Jill Rawal
Joe Ackler, Ackler & Associates

SCA 10

Attachment 1—Board Positions Adopted on Related Legislation

Board of Retirement

May 1, 2017

Page 1

BOARD POSITIONS ADOPTED ON RELATED LEGISLATION

AB 340 (Chapter 296, Statutes of 2012) enacted the California Public Employees' Pension Reform Act of 2013. Among other provisions, it provided for benefit enhancements to apply only to service performed on or after the operative date of the enhancement and not to service performed prior to the operative date. The Board of Retirement adopted a "Watch" position.

SCA 10
Attachment 2—Support And Opposition
Board of Retirement
May 1, 2017
Page 1

SUPPORT

None

OPPOSITION

None

Introduced by Senator Moorlach

February 17, 2017

Senate Constitutional Amendment No. 10—A resolution to propose to the people of the State of California an amendment to the Constitution of the State, by adding Section 17.3 to Article XVI thereof, relating to public employee retirement benefits.

LEGISLATIVE COUNSEL'S DIGEST

SCA 10, as introduced, Moorlach. Public employee retirement benefits.

Existing statutory law establishes various public agency retirement systems, including, among others, the Public Employees' Retirement System, the State Teachers' Retirement System, the Judges' Retirement System II, and various county retirement systems pursuant to the County Employees Retirement Law of 1937, and these systems provide defined pension benefits to public employees based on age, service credit, and amount of final compensation. The California Constitution permits a city or county to adopt a charter for purposes of its governance that supersedes general laws of the state in regard to specified subjects, including compensation of city or county employees. The California Constitution establishes the University of California as a public trust with full powers of organization and government, subject only to specified limitations. Under their respective independent constitutional authority, charter cities and counties and the University of California may and have established retirement systems. The California Public Employees' Pension Reform Act of 2013 (PEPRA) generally requires the retirement systems to which it applies to modify their provisions to conform with its requirements. PEPRA excepts from its provisions the retirement systems established by charter cities and counties and the

University of California. PEPPRA requires the retirement systems that it regulates and that offer defined benefit plans to provide specified defined benefit formulas, and prescribes requirements regarding employer and employee contributions to defined benefit pension plans.

This measure would prohibit a government employer from providing public employees any retirement benefit increase until that increase is approved by a $\frac{2}{3}$ vote of the electorate of the applicable jurisdiction and that vote is certified. The measure would define retirement benefit to mean any postemployment benefit and would define benefit increase as any change that increases the value of an employee's retirement benefit. The measure would define a government employer to include, among others, the state and any of its subdivisions, cities, counties, school districts, special districts, the Regents of the University of California, and the California State University.

Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

1 WHEREAS, The State of California has made retirement
2 security a priority for public employees since the early part of the
3 20th century by creating various state and local pension systems;
4 and

5 WHEREAS, Over nearly a century of experience has shown
6 that when planned and paid for, pensions can be useful in attracting
7 and retaining good talent to public service. However, pension
8 systems have also shown great weaknesses in properly accounting
9 for their future retirement obligations, paying the normal costs of
10 funding pension plans, and mitigating risk associated with the
11 market, thus often shifting unfunded liabilities and other financial
12 risks to taxpayer costs of paying retirement and pension benefits
13 when they outstrip revenues and investment returns; and

14 WHEREAS, The nonpartisan Legislative Analyst's Office
15 estimates the current unfunded liabilities for the Public Employees'
16 Retirement System, the Teachers' Retirement System, and the
17 University of California Retirement System at approximately \$140
18 billion; and

19 WHEREAS, The Pew Charitable Trusts, using data from 2012,
20 found California ranked highest in the nation for unfunded pension
21 obligations; and

1 WHEREAS, The unfunded public pension liabilities of
2 California and its local governments' are estimated to be over
3 one-half trillion dollars; and

4 WHEREAS, Public pension debt has contributed to the
5 bankruptcies of the cities of Stockton, Vallejo, and San Bernardino
6 and has left other California municipalities in dire fiscal straits.
7 As a result, several municipalities in the state now have the difficult
8 task of balancing budgets in a way that is fair to both public
9 employees and taxpayers, while continuing to provide basic
10 services; and

11 WHEREAS, As noted by the Manhattan Institute: "In recent
12 years, California municipalities have seen retirement benefit costs
13 grow at a rate above that of taxes, fees, and charges. 'Crowd-out'
14 is the term given to this condition by some public officials forced
15 to deal with the resulting fiscal strain. Balanced budget
16 requirements mandate that when costs grow more rapidly than
17 revenues, something must give. All too often, this has meant
18 reductions in core government services, most of which—police,
19 fire, libraries, parks, and street and sidewalk maintenance—are
20 delivered at the local level in California"; and

21 WHEREAS, While state government retirees collect guaranteed
22 pensions, young and future taxpayers will be responsible for paying
23 the bill. Growing unfunded obligations have particularly serious
24 ramifications for the millennial generation, who are sinking under
25 the weight of public debts and obligations incurred years before
26 they were even born; and

27 WHEREAS, While recent legislation and action by several
28 pension boards have put the state on a more prudent financial path,
29 much fundamental and substantial reform is still left to be done to
30 make California's pension systems sustainable for both employees
31 and taxpayers; and

32 WHEREAS, Several recent polls, include those done by Reason
33 Foundation and the Public Policy Institute of California, show that
34 nearly three out of four of respondents say the amount of money
35 spent on public employee pensions is a problem and that voters
36 should have a great say in reforms; and

37 WHEREAS, Elements of true reform should make pensions fair
38 to government workers and accountable to taxpayers in a simple
39 and transparent manner, and include the ability for government
40 entities to create a defined contribution plan or defined

1 benefit/defined contribution hybrid pension plan for their current
2 and new employees. Fundamental reforms should address the
3 “California Rule” and allow the state and municipalities to modify
4 future pension benefits for current public employees; and

5 WHEREAS, Local governments and the electorate should have
6 a voice on what reforms may happen and how they may occur;
7 and

8 WHEREAS, Failing now to adequately address the current
9 pension unfunded liabilities in California and ignoring the debt
10 pressure pension costs have on other budget priorities will only
11 prolong the problems and delay meaningful reform. It will also
12 endanger future pension benefits promised to public employees,
13 risk the reduction or elimination of governmental services, and
14 cause taxpayers to incur higher taxes to pay for unfunded liabilities;
15 and

16 WHEREAS, It is in the interest of all Californians to encourage
17 a public pension law that provides a fair, workable plan to pay
18 down the accumulated pension debt as quickly as possible and
19 implements processes and practices that ensure both the state and
20 local governments adequately fund their retirement promises; now,
21 therefore, be it

22 *Resolved by the Senate, the Assembly concurring,* That the
23 Legislature of the State of California at its 2017–18 session
24 commencing on the fifth day of December 2016, two-thirds of the
25 membership of each house concurring, hereby proposes to the
26 people of the State of California, that the Constitution of the State
27 be amended as follows:

28 That Section 17.3 is added to Article XVI thereof, to read:

29 SEC. 17.3. (a) A government employer shall not provide public
30 employees any retirement benefit increase until that increase is
31 approved by a two-thirds vote of the electorate of the applicable
32 jurisdiction and the vote has been certified.

33 (b) For purposes of this section:

34 (1) “Benefit increase” means any change that increases the value
35 of an employee’s retirement benefit, including, but not limited to,
36 increasing a benefit formula, increasing the rate of cost-of-living
37 adjustments, expanding the categories of pay included in pension
38 calculations, reducing a vesting period, lowering the eligible
39 retirement age, or otherwise providing a new economic advantage
40 for the government employee.

1 (2) “Government employer” means the state, or a political
2 subdivision of the state, including, but not limited to, counties,
3 cities, charter counties, charter cities, a charter city and county,
4 school districts, special districts, boards, commissions, the Regents
5 of the University of California, the California State University,
6 and agencies thereof.

7 (3) “Retirement benefit” means any post employment benefit,
8 including, but not limited to, a benefit provided through a defined
9 benefit pension plan, defined contribution plan, retiree health care
10 plan, or any form of deferred compensation offered by government
11 employers.

O

April 27, 2017

SUPPLEMENTAL AGENDA INFORMATION

TO: Each Member
Board of Retirement

FROM: Barry W. Lew *BW*
Legislative Affairs Officer

FOR: May 11, 2017 Board of Retirement Meeting

SUBJECT: **Senate Bill 32— California Public Employees' Pension Reform Act of 2018**

Author: Moorlach [R]

Sponsor: Author-sponsored

Introduced: December 5, 2017

Amended: March 2, 2017

*Status: In SENATE Committee on Public Employment & Retirement:
Failed passage, reconsideration granted (04/24/2017)*

IBLC Recommendation: Oppose Unless Amended (04/13/2017)

Staff Recommendation: Watch

RECOMMENDATION

That the Board of Retirement adopt no position on Senate Bill 32, which would enact the California Public Employees' Pension Reform Act of 2018.

DISCUSSION

On April 24, 2017, SB 32 was heard in the Senate Committee on Public Employment & Retirement. By a vote of 2 ayes to 3 noes, the bill failed passage in committee and is now dead for the rest of the 2017 legislative year. There is no need for your Board to adopt a position on the bill at this time.

SB 32 was granted reconsideration by the committee and thus may be heard again in the 2018 legislative year. Staff will continue to monitor the bill in 2018 to determine whether it will be scheduled for another hearing and whether the current version of the bill will be amended, which will require a new analysis. If it is necessary for your Board to adopt a position in 2018, staff will provide an analysis and a recommendation at that time.

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD adopt no position on Senate Bill 32, which would enact the California Public Employees' Pension Reform Act of 2018.

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

April 27, 2017

TO: Each Member
Board of Retirement

FROM: Insurance, Benefits and Legislative Committee
William de la Garza, Chair
Vivian H. Gray, Vice Chair
Ronald Okum
Alan Bernstein
David Muir, Alternate

FOR: May 11, 2017 Board of Retirement Meeting

SUBJECT: **Senate Bill 32—California Public Employees’ Pension Reform Act of 2018**

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Sponsor: Author-sponsored
Introduced: December 5, 2016
Amended: March 2, 2017
Status: In SENATE Committee on Public Employment & Retirement:
Failed passage, reconsideration granted (04/24/2017)*

*IBLC Recommendation: Oppose Unless Amended (04/13/2017)
Staff Recommendation: Watch*

RECOMMENDATION

That the Board of Retirement adopt an “Oppose Unless Amended” position on Senate Bill 32, which would enact the California Public Employees’ Pension Reform Act of 2018, and if the language is corrected, maintain a “Watch” position.

LEGISLATIVE POLICY STANDARD

LACERA’s legislative policy standard is to oppose proposals that infringe on the Board of Retirement’s plenary authority or fiduciary responsibility (Legislative Policy, page 6). SB 32 would infringe upon the Board of Retirement’s plenary authority with respect to the provision of cost-of-living adjustments. An “Oppose Unless Amended” position indicates that the Board conditionally opposes the proposal in becoming law and that amendments are necessary to remove the Board’s opposition.

SUMMARY

SB 32, as amended on March 2, 2017, would make various changes to the Public Employees’ Retirement Law, Teacher’s Retirement, and the California Public Employees’ Pension Reform Act of 2013. It would also enact the California Public Employees’ Pension Reform Act of 2018.

ANALYSIS

Citizens' Pension Oversight Committee

- Applies to CalPERS and CalSTRS only.
- Establishes a Citizens' Pension Oversight Committee to serve in an advisory role to the Board of Administration of the Public Employees' Retirement System (CalPERS) and the Teachers' Retirement Board (CalSTRS).
- Requires CalPERS and CalSTRS to file copies of their annual financial reports with the Citizens' Pension Oversight Committee.

Hybrid Plan

- Applies to CalPERS only.
- Requires the Board of Administration to develop a hybrid plan that consists of defined benefit and defined contribution components to be submitted to the Legislature for approval.
- Applies to members who become members of CalPERS on or after approval of the hybrid plan by the Legislature.

Reduction of Unfunded Liability

- Applies to CalPERS only.
- Requires the Board of Administration to determine the system's level of unfunded liability in 1980 and to reduce the system's current unfunded liability to that level by 2030, with the goal of fully funding the system.

Safety Member Classification

- Applies to CalPERS only.
- Requires the Board of Administration to review the duties of employees in safety member classifications and reclassify them into positions specified in the bill.

Employer Contributions

- Applies to CalPERS only.
- Requires the Board of Administration to increase the employer contribution rate by 10 percent in any year in which the unfunded actuarial liability is greater than zero.

Pensionable Compensation

The bill amends the definition of “pensionable compensation” under PEPRA 2013. The amended definition would apply to any public retirement systems subject to PEPRA 2013, which includes LACERA.

Current law provides that “pensionable compensation” means the normal monthly rate of pay or base pay paid in cash to similarly situated members of the same group or class of employment.

The bill would make a legislative finding and declaration that “normal monthly rate of pay or base pay” does not include and was not intended to include incentive pay, educational pay, premium pay, special assignment pay, or holiday pay. It would also require that a retirement board not deem these pay items as compensation, consistent with the finding and declaration of the Legislature.

The bill does not define the nature of each pay item. Given the plethora of payroll codes in each public retirement system subject to PEPRA 2013, that lack of definition may cause ambiguities in the determination of whether specific pay codes fall within the pay items listed in the bill.

California Public Employees’ Pension Reform Act of 2018

SB 32 adds a new Article 5 to a chapter of the Government Code that generally applies to California public pension and retirement plans. Article 5 would be known as the California Public Employees’ Pension Reform Act of 2018 (PEPRA 2018).

In addition to definitional provisions, PEPRA 2018 contains three main provisions:

- Final compensation.
- Cost-of-living adjustments.
- Membership after reemployment.

Final compensation. New members as of January 1, 2018 would have their final compensation based on at least 60 consecutive months. PEPRA 2013 currently requires final compensation to be based on at least 36 consecutive months.

Cost-of-living adjustments. For any year beginning on or after January 1, 2018, a public retirement system shall not make a cost-of-living adjustment to any allowance payable to a retired member or beneficiary if the unfunded actuarial liability of either CalPERS or CalSTRS is greater than zero.

Membership after reemployment. A new member as of January 1, 2018 who leaves a public employer participating in the public retirement system for employment with an employer that does not participate in the public retirement system and is subsequently

reemployed by the original public employer at least one year after he or she left would be subject to the same benefits, contributions, and other terms and conditions applicable to a new member on that date of reemployment. For example, the reemployed member would be subject to a new rate of contribution or a different plan tier if these terms applied to a new member.

Applicability. PEPRA 2018 does not apply to the public employers that include the University of California, charter counties, and charter cities or to the public retirement systems created by those public employers. However, such public employers may elect to make PEPRA 2018 or any section thereof applicable.

The County of Los Angeles became a charter county on June 2, 1913 and established LACERA on January 1, 1938. Therefore, LACERA is a retirement system that was created by a charter county, and PEPRA 2018 does not apply to LACERA unless the County of Los Angeles elects to make it or any section thereof applicable.

With respect to CERL retirement systems, PEPRA 2018 would apply to those systems that were not created by a charter county. However, any of the charter counties may elect to make PEPRA 2018 or any section thereof applicable. Currently, the charter counties with retirement systems under CERL include Alameda, Fresno, Los Angeles, Orange, Sacramento, San Bernardino, San Diego, and San Mateo. General law counties with retirement systems under CERL include Contra Costa, Ventura, Kern, San Joaquin, Santa Barbara, Marin, Sonoma, Stanislaus, Tulare, Merced, Imperial, and Mendocino.

In contrast, PEPRA 2013 also did not apply to charter counties—except to the extent that the charter county was a participating employer in a retirement system governed by state statute. Therefore, PEPRA 2013 applied to all counties (general law and charter) with retirement systems under CERL.

Recommended Change

Although the provisions of PEPRA 2018 in SB 32, if passed, would not apply to LACERA by default, it is possible for the County of Los Angeles to elect to make PEPRA 2018 or any section thereof applicable.

The provision related to cost-of-living adjustments has the potential to require the Board of Retirement not to provide cost-of-living adjustments to LACERA's members based upon the unfunded actuarial liability of other retirement systems being greater than zero—even if LACERA's own unfunded actuarial liability happens to be zero. Given the fact that CalPERS and CalSTRS have their own funding and investment policies for the provision of benefits, including cost-of-living benefits, the Board of Retirement's plenary authority in determining whether cost-of-living benefits may be provided would be

infringed upon by the policies of these other retirement systems under this section of PEPRA 2018.

This section of PEPRA 2018 should be amended such that the ability of a public retirement system to provide a cost-of-living adjustment is not dependent on the unfunded actuarial liability of CalPERS or CalSTRS.

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD adopt an “Oppose Unless Amended” position on Senate Bill 32, which would enact the California Public Employees’ Pension Reform Act of 2018, and if the language is corrected, maintain a “Watch” position.

Attachments

Attachment 1—Board Positions Adopted on Related Legislation

Attachment 2—Support And Opposition

SB 32 (Moorlach) as amended on March 2, 2017

SB 32 (Moorlach) as introduced on December 5, 2016

cc: Joe Ackler, Ackler & Associates

SB 32

Attachment 1—Board Positions Adopted on Related Legislation

Board of Retirement

April 27, 2017

Page 1

BOARD POSITIONS ADOPTED ON RELATED LEGISLATION

AB 2474 (Chapter 741, Statutes of 2014) conformed the County Employees Retirement Law of 1937 to the requirements of the California Public Employees' Pension Reform Act of 2013. The Board of Retirement adopted a "Support" position.

SB 13 (Chapter 528, Statutes of 2013) provided clarifying amendments to the California Public Employees' Pension Reform Act of 2013. The Board of Retirement adopted a "Support" position.

AB 340 (Chapter 296, Statutes of 2012) enacted the California Public Employees' Pension Reform Act of 2013. The Board of Retirement adopted a "Watch" position.

SB 32
Attachment 2—Support And Opposition
Board of Retirement
April 27, 2017
Page 1

SUPPORT

City of Costa Mesa
Rossmoor-Los Alamitos Republican Women Federated

OPPOSITION

American Federation of State, County and Municipal Employees, AFL-CIO
Association of Deputy District Attorneys
Association for Los Angeles Deputy Sheriffs
CAL FIRE Local 2881
California Association of Highway Patrolmen
California Association of Professional Employees
California Association of Professional Scientists
California Association of Psychiatric Technicians
California Federation of Teachers
California Nurses Association
California Professional Firefighters
California School Employees Association
California State Teachers' Retirement System
Los Angeles County Deputy Probation Officers' Union, AFSCME, Local 685
Los Angeles Police Protective League
Orange County Employees Association
Peace Officers Research Association of California
Professional Engineers in California Government
Retired Public Employees Association
Riverside Sheriffs' Association
Safety Employees Benefit Association
Service Employees International Union, Local 1000

AMENDED IN SENATE MARCH 2, 2017

SENATE BILL

No. 32

Introduced by Senator Moorlach

December 5, 2016

An act to amend Section 22217 of the Education Code, and to amend Sections 7522.34 and 20228 of, to add Sections 7512.5, 20140, 20141, 20418, and 20818 to, and to add Article 5 (commencing with Section 7523) to Chapter 21 of Division 7 of Title 1 of, the Government Code, relating to public employees' ~~retirement~~ retirement, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

SB 32, as amended, Moorlach. ~~Public employees' retirement.~~ *California Public Employees' Pension Reform Act of 2018.*

(1) The Public Employees' Retirement Law creates the Public Employees' Retirement System (PERS), and the Teachers' Retirement Law creates the State Teachers' Retirement System (STRS), for the provision of service, disability, and other benefits to members. Existing law vests the Teachers' Retirement Board, which administers STRS, and the Board of Administration of PERS with fiduciary responsibility over the assets of their respective retirement systems and requires the boards to, among other things, employ public accountants who are not in public employment to audit the financial statements of the systems, as specified.

This bill would create the Citizens' Pension Oversight Committee to serve in an advisory role to the Teachers' Retirement Board and the Board of Administration of PERS. The bill would require the committee, on or before January 1, 2019, and annually thereafter, to review the actual pension costs and obligations of PERS and STRS and report on

these costs and obligations to the public and would require reports of audits of STRS and PERS conducted by the public accountants described above to be filed with the committee for this purpose.

(2) Under the Public Employees' Retirement Law, benefits provided by PERS are funded by employer and employee contributions and investment returns. Existing law requires the Board of Administration of PERS to set and adjust employer contribution rates in relation to the system's actuarial liability and provides for the deposit of employer contributions into the Public Employees' Retirement Fund, a continuously appropriated fund. Existing law authorizes the board to adopt a funding period of 30 years to amortize unfunded accrued actuarial obligations for current and prior service for the purpose of determining employer contribution rates for contracting agencies and school employers and to adopt an amortization period of 40 years for any unfunded actuarial liability for the benefits applicable to all state miscellaneous members and all state peace officer/firefighter members.

This bill would require the board to determine what the level of the unfunded liability of PERS was in 1980 and would further require the board to reduce the unfunded liability of PERS to that level, to be achieved by 2030, with the goal of fully funding PERS. The bill, in any year in which the unfunded actuarial liability of PERS is greater than zero, would require the board to increase the employer contribution rate otherwise provided by law for the state, contracting agencies, and school employers by 10 percent. By increasing deposits into a continuously appropriated fund, the bill would make an appropriation.

(3) Existing law prescribes different benefit formulas for members of PERS depending on a member's classification and date of entry into the system, among other factors.

This bill would require the Board of Administration of PERS, on or before January 1, 2019, to develop and submit to the Legislature for approval a hybrid plan consisting of defined benefit and defined contribution components, as specified, and would require the plan to be applied to members who elect to be subject to the plan or who are first employed by the state, a contracting agency, or a school employer and become members of the system on or after the approval of the plan by the Legislature. The bill would further require the board, on or before January 1, 2019, to review the duties of officers and employees in positions included in the safety member classification pursuant to certain provisions of the Public Employees' Retirement Law and reclassify the positions according to specified criteria. The bill would

apply this reclassification to persons who are first employed by the state and become state members of PERS on or after January 1, 2018.

(4) The California Public Employees' Pension Reform Act of 2013 (PEPRA), on and after January 1, 2013, requires a public retirement system, as defined, to modify its plan or plans to comply with the act and, among other provisions, provides that the pensionable compensation of a new member of the system is the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members, as specified. PEPRA also requires the final compensation used to determine a retirement benefit to be paid to the new member to be the highest average annual pensionable compensation earned by the member during a period of at least 36 consecutive months, or at least 3 consecutive school years if applicable, as specified.

This bill would prohibit a public retirement board from deeming certain forms of pay to be pensionable compensation and would make related legislative findings and declarations.

This bill would enact the California Public Employees' Pension Reform Act of 2018 (PEPRA 2018). The bill, for an individual who becomes a member of any public retirement system, as defined, for the first time on or after January 1, 2018, and who was not a member of any other public retirement system prior to that date, would require the final compensation used to determine the member's retirement benefits to be the highest annual pensionable compensation earned by the member during a period of at least 60 consecutive months, or at least 5 consecutive school years if applicable, as specified. The bill would also provide that if the member leaves the employment of a public employer participating in a public retirement system for other employment, as specified, and is subsequently reemployed by the public employer at least one year later, the member will be subject to the same benefits, contributions, and other terms and conditions applicable to an individual who becomes a member of the public retirement system for the first time on the date of the member's return, for service rendered on or after that date.

(5) Existing law provides for the application of cost of living adjustments to allowances paid to persons retired under, or survivors or beneficiaries of members or persons retired under, various public retirement systems.

The bill, as part of PEPRA 2018, would prohibit a public retirement system from making a cost of living adjustment to any allowance payable to, or on behalf of, a person retired under the system, or to any survivor

or beneficiary of a member or person retired under the system, for any year beginning on or after January 1, 2018, in which PERS or STRS is not fully funded.

~~The California Public Employees’ Pension Reform Act of 2013, on and after January 1, 2013, established various limits on retirement benefits generally applicable to a public employee retirement system in the state, with specified exceptions.~~

~~This bill would state the intent of the Legislature to enact legislation to resume the public employee pension reform begun in the California Public Employees’ Pension Reform Act of 2013.~~

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

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

1 SECTION 1. Section 22217 of the Education Code is amended
 2 to read:
 3 22217. (a) The board shall employ a certified public accountant
 4 or public accountant, who is not in public employment, to audit
 5 the financial statements of the system. The costs of the audit shall
 6 be paid from the income of the retirement fund. The audit shall be
 7 made annually and the audit report shall be incorporated into the
 8 annual report filed with the Governor and the Legislature pursuant
 9 to Section 22324. *A copy of the audit report shall also be filed*
 10 *with the Citizens’ Pension Oversight Committee created by Section*
 11 *7512.5 of the Government Code.*
 12 (b) These audits shall not be duplicated by the Department of
 13 Finance or the State Auditor. The system shall be exempt from a
 14 pro rata general administrative charge for auditing.
 15 SEC. 2. Section 7512.5 is added to the Government Code, to
 16 read:
 17 7512.5. (a) *The Citizens’ Pension Oversight Committee is*
 18 *hereby created. The committee shall serve in an advisory role to*
 19 *the Board of Administration of the Public Employees’ Retirement*
 20 *System and the Teachers’ Retirement Board. The committee shall*
 21 *consist of no more than nine members, and no less than five*
 22 *members, jointly appointed by the Board of Administration of the*
 23 *Public Employees’ Retirement System and the Teachers’*
 24 *Retirement Board from persons with experience in fiduciary*

1 *matters who do not receive benefits from the Public Employees’*
2 *Retirement System or the State Teachers’ Retirement System.*

3 *(b) On or before January 1, 2019, and annually thereafter, the*
4 *committee shall review the actual pension costs and obligations*
5 *of the Public Employees’ Retirement System and the State*
6 *Teachers’ Retirement System and report on these costs and*
7 *obligations to the public. As part of this review, the committee*
8 *shall review the audit reports filed with the committee pursuant*
9 *to Section 22217 of the Education Code and Section 20228 of this*
10 *code.*

11 *SEC. 3. Section 7522.34 of the Government Code is amended*
12 *to read:*

13 7522.34. (a) “Pensionable compensation” of a new member
14 of any public retirement system means the normal monthly rate
15 of pay or base pay of the member paid in cash to similarly situated
16 members of the same group or class of employment for services
17 rendered on a full-time basis during normal working hours,
18 pursuant to publicly available pay schedules, subject to the
19 limitations of subdivision (c).

20 (b) Compensation that has been deferred shall be deemed
21 pensionable compensation when earned rather than when paid.

22 (c) Notwithstanding any other law, “pensionable compensation”
23 of a new member does not include the following:

24 (1) Any compensation determined by the board to have been
25 paid to increase a member’s retirement benefit under that system.

26 (2) Compensation that had previously been provided in kind to
27 the member by the employer or paid directly by the employer to
28 a third party other than the retirement system for the benefit of the
29 member and which was converted to and received by the member
30 in the form of a cash payment.

31 (3) Any one-time or ad hoc payments made to a member.

32 (4) Severance or any other payment that is granted or awarded
33 to a member in connection with or in anticipation of a separation
34 from employment, but is received by the member while employed.

35 (5) Payments for unused vacation, annual leave, personal leave,
36 sick leave, or compensatory time off, however denominated,
37 whether paid in a lump sum or otherwise, regardless of when
38 reported or paid.

39 (6) Payments for additional services rendered outside of normal
40 working hours, whether paid in a lump sum or otherwise.

1 (7) Any employer-provided allowance, reimbursement, or
2 payment, including, but not limited to, one made for housing,
3 vehicle, or uniforms.

4 (8) Compensation for overtime work, other than as defined in
5 Section 207(k) of Title 29 of the United States Code.

6 (9) Employer contributions to deferred compensation or defined
7 contribution plans.

8 (10) Any bonus paid in addition to the compensation described
9 in subdivision (a).

10 (11) Any other form of compensation a public retirement board
11 determines is inconsistent with the requirements of subdivision
12 (a).

13 (12) Any other form of compensation a public retirement board
14 determines should not be pensionable compensation.

15 (13) (A) Any form of compensation identified that has been
16 agreed to be nonpensionable pursuant to a memorandum of
17 understanding for state employees bound by the memorandum of
18 understanding. The state employer subject to the memorandum of
19 understanding shall inform the retirement system of the excluded
20 compensation and provide a copy of the memorandum of
21 understanding.

22 (B) The state employer may determine if excluded compensation
23 identified in subparagraph (A) shall apply to nonrepresented state
24 employees who are aligned with state employees subject to the
25 memorandum of understanding described in subparagraph (A).
26 The state employer shall inform the retirement system of the
27 exclusion of this compensation and provide a copy of the public
28 pay schedule detailing the exclusion.

29 (d) (1) *The Legislature finds and declares that “normal monthly*
30 *rate of pay or base pay,” as used in subdivision (a), does not*
31 *include, and was not intended to include, incentive pay, educational*
32 *pay, premium pay, special assignment pay, or holiday pay.*

33 (2) *Pursuant to paragraph (1), a public retirement board shall*
34 *not deem incentive pay, educational pay, premium pay, special*
35 *assignment pay, or holiday pay to be a form of compensation*
36 *consistent with subdivision (a).*

37 *SEC. 4. Article 5 (commencing with Section 7523) is added to*
38 *Chapter 21 of Division 7 of Title 1 of the Government Code, to*
39 *read:*

1
2 *Article 5. California Public Employees' Pension Reform Act*
3 *of 2018*
4

5 *7523. This article shall be known, and may be cited, as the*
6 *California Public Employees' Pension Reform Act of 2018.*

7 *7523.05. For the purposes of this article:*

8 *(a) "Member" means a public employee who is a member of a*
9 *public retirement system.*

10 *(b) "New member as of January 1, 2018," means an individual*
11 *who becomes a member of any public retirement system for the*
12 *first time on or after January 1, 2018, and who was not a member*
13 *of any other public retirement system prior to that date.*

14 *(c) "Public employee" means an officer, including one who is*
15 *elected or appointed, or an employee of a public employer.*

16 *(d) (1) "Public employer" includes:*

17 *(A) The state and every state entity, including, but not limited*
18 *to, the Legislature, the judicial branch, including judicial officers,*
19 *and the California State University.*

20 *(B) Any political subdivision of the state, or agency or*
21 *instrumentality of the state or subdivision of the state, including,*
22 *but not limited to, a city, county, city and county, school district,*
23 *community college district, joint powers authority, joint powers*
24 *agency, and any public agency, authority, board, commission, or*
25 *district.*

26 *(C) Any charter school that elects or is required to participate*
27 *in a public retirement system.*

28 *(2) Notwithstanding paragraph (1), "public employer" does*
29 *not include an entity described in Section 9 of Article IX of, or*
30 *Section 4 or 5 of Article XI of, the California Constitution, except*
31 *to the extent that the entity elects to make this article, or any section*
32 *thereof, applicable to the entity.*

33 *(e) (1) "Public retirement system" means the Public Employees'*
34 *Retirement System, the State Teachers' Retirement System, the*
35 *Legislators' Retirement System, the Judges' Retirement System,*
36 *the Judges' Retirement System II, county and district retirement*
37 *systems created pursuant to the County Employees Retirement*
38 *Law of 1937 (Chapter 3 (commencing with Section 31450) of Part*
39 *3 of Division 4 of Title 3), independent public retirement systems,*
40 *and to individual retirement plans offered by public employers.*

1 (2) *Notwithstanding paragraph (1), “public retirement system”*
2 *does not include a retirement system created by an entity described*
3 *in Section 9 of Article IX of, or Section 4 or 5 of Article XI of, the*
4 *California Constitution, except to the extent that the entity elects*
5 *to make this article, or any section thereof, applicable to the entity.*

6 7523.10. *Notwithstanding Section 7522.32 or any other law,*
7 *for the purposes of determining a retirement benefit to be paid to*
8 *a new member as of January 1, 2018, of a public retirement system,*
9 *final compensation shall mean the highest average annual*
10 *pensionable compensation earned by the member during a period*
11 *of at least 60 consecutive months, or at least five consecutive school*
12 *years if applicable, immediately preceding his or her retirement*
13 *or last separation from service if earlier, or during any other*
14 *period of at least 60 consecutive months, or at least five consecutive*
15 *school years if applicable, during the member’s applicable service*
16 *that the member designates on the application for retirement.*

17 7523.20. *Notwithstanding any other law, except as otherwise*
18 *required by Section 9 of Article I of the California Constitution,*
19 *a public retirement system shall not make a cost of living*
20 *adjustment to any allowance payable to, or on behalf of, a person*
21 *retired under the system, or to any survivor or beneficiary of a*
22 *member or person retired under the system, for any year beginning*
23 *on or after January 1, 2018, in which either of the following is*
24 *true:*

25 (a) *The unfunded actuarial liability of the State Teachers’*
26 *Retirement System, as determined by the Teachers’ Retirement*
27 *Board, is greater than zero.*

28 (b) *The unfunded actuarial liability of the Public Employees’*
29 *Retirement System, as determined by the Board of Administration*
30 *of the Public Employees’ Retirement System, is greater than zero.*

31 7523.30. *Notwithstanding any other law, a new member as of*
32 *January 1, 2018, of a public retirement system who, on or after*
33 *January 1, 2018, leaves the employment of a public employer*
34 *participating in the public retirement system for employment with*
35 *an employer that does not participate in the public retirement*
36 *system and who is subsequently reemployed by the same public*
37 *employer at least one year after he or she left, shall, upon the date*
38 *of his or her reemployment, be subject to the same benefits,*
39 *contributions, and other terms and conditions applicable to an*
40 *individual who becomes a member of the public retirement system*

1 *for the first time on that date, for service rendered on or after that*
2 *date.*

3 *SEC. 5. Section 20140 is added to the Government Code, to*
4 *read:*

5 *20140. (a) On or before January 1, 2019, the board shall*
6 *develop and submit to the Legislature for approval a hybrid plan*
7 *that consists of the following:*

8 *(1) A defined benefit component that utilizes low-risk*
9 *investments.*

10 *(2) A defined contribution component under which an*
11 *employee's contributions will be matched by employer*
12 *contributions up to a certain percent.*

13 *(b) Notwithstanding any other law, a member who is first*
14 *employed by the state, a contracting agency, or a school employer*
15 *and becomes a member of the system on or after the approval of*
16 *the hybrid plan by the Legislature shall participate in the hybrid*
17 *plan.*

18 *(c) A member not described in subdivision (b) may elect to*
19 *participate in the hybrid plan.*

20 *SEC. 6. Section 20141 is added to the Government Code, to*
21 *read:*

22 *20141. The board shall determine what the level of the*
23 *unfunded liability of the system was in 1980 and shall reduce the*
24 *unfunded liability of the system to that level, to be achieved by*
25 *2030, with the goal of fully funding the system.*

26 *SEC. 7. Section 20228 of the Government Code is amended to*
27 *read:*

28 *20228. The board shall annually employ a certified public*
29 *accountant, who is not in public employment, to audit the financial*
30 *statements of this system. The costs of the audit shall be paid from*
31 *the income of the retirement fund. The audit shall be made*
32 *annually. The board shall file a copy of the audit report with the*
33 *Governor, the Secretary of the Senate, ~~and~~ the Chief Clerk of the*
34 *Assembly, and the Citizens' Pension Oversight*
35 *Committee.*

36 *The board, for purposes of Section 7504, may file internally*
37 *prepared financial statements with the Controller within six months*
38 *of the end of the fiscal year, and shall file independently audited*
39 *financial statements as soon as they are available.*

1 The annual audits of the financial statements of the system shall
2 not be duplicated by the Department of Finance or the State
3 Auditor.

4 This section does not affect the ability of the State Auditor or
5 the Department of Finance to conduct other types of audits of the
6 system as otherwise authorized by statute. This system shall be
7 exempt from a pro rata general administrative charge for auditing.

8 *SEC. 8. Section 20418 is added to the Government Code, to*
9 *read:*

10 *20418. (a) On or before January 1, 2019, the board shall*
11 *review the duties of officers and employees in positions included*
12 *in the safety member classification pursuant to this article and*
13 *shall reclassify the positions, for the purposes of the system, as*
14 *follows:*

15 *(1) "Patrol member," "state peace officer/firefighter member"*
16 *or "state safety member," for positions with principal duties that*
17 *place the employee or officer in the position in harm's way. The*
18 *board shall not reclassify a position as "patrol member," "state*
19 *peace officer/firefighter member," or "state safety member" on*
20 *the sole basis that the position involves law enforcement.*

21 *(2) "State miscellaneous member" or "state industrial member"*
22 *for positions not described in paragraph (1).*

23 *(b) Notwithstanding this article or any other law, the*
24 *reclassification of positions pursuant to subdivision (a) shall apply*
25 *to any person who is first employed by the state and becomes a*
26 *state member of the system on or after January 1, 2018.*

27 *SEC. 9. Section 20818 is added to the Government Code, to*
28 *read:*

29 *20818. Notwithstanding any other law, in any year in which*
30 *the unfunded actuarial liability of the system is greater than zero,*
31 *the board shall increase the employer contribution rate otherwise*
32 *provided by law for the state, contracting agencies, and school*
33 *employers by 10 percent.*

34 ~~SECTION 1. It is the intent of the Legislature to enact~~
35 ~~legislation to resume the public employee pension reform begun~~
36 ~~in the California Public Employees' Pension Reform Act of 2013.~~

Introduced by Senator Moorlach

December 5, 2016

An act relating to public employees' retirement.

LEGISLATIVE COUNSEL'S DIGEST

SB 32, as introduced, Moorlach. Public employees' retirement.

The California Public Employees' Pension Reform Act of 2013, on and after January 1, 2013, established various limits on retirement benefits generally applicable to a public employee retirement system in the state, with specified exceptions.

This bill would state the intent of the Legislature to enact legislation to resume the public employee pension reform begun in the California Public Employees' Pension Reform Act of 2013.

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

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

- 1 SECTION 1. It is the intent of the Legislature to enact
- 2 legislation to resume the public employee pension reform begun
- 3 in the California Public Employees' Pension Reform Act of 2013.

O

May 1, 2017

TO: Each Member
Board of Retirement

FROM: Insurance, Benefits and Legislative Committee
William de la Garza, Chair
Vivian H. Gray, Vice Chair
Ronald Okum
Alan Bernstein
David Muir, Alternate

FOR: May 11, 2017 Board of Retirement Meeting

SUBJECT: **Senate Constitutional Amendment 8—Reduction of Retirement Benefits**

Author: Moorlach [R]
Sponsor: Author-sponsored
Introduced: February 15, 2017
Status: Referred to SENATE Committee on Public Employment & Retirement and Committee on Elections & Constitutional Amendments (02/23/17)

IBLC Recommendation: Oppose (04/13/2017)
Staff Recommendation: Oppose

RECOMMENDATION

That the Board of Retirement adopt an “Oppose” position on Senate Constitutional Amendment 8 unless pulled from the Senate Committee, which provides authority to a government employer to reduce public employee retirement benefits.

LEGISLATIVE POLICY STANDARD

SCA 8 would provide authority to a government employer (i.e., a plan sponsor) to reduce retirement benefits based on work not yet performed but not reduce retirement benefits for work already performed. The Board of Retirement’s legislative policy standard is to oppose proposals that deprive members of vested benefits (Legislative Policy, page 6). As currently understood in the context of the “California Rule” established by *Allen v. City of Long Beach* (1955), 45 Cal.2d 128, vested benefits include not only benefits accrued for work already performed but also benefits that are accrued in the future for work not yet performed—unless a comparable benefit is provided that offsets the reduction of future benefits for work not yet performed. SCA 8 does not provide for an offsetting benefit consistent with the California Rule.

SUMMARY

SCA 8 is a legislatively referred constitutional amendment that would permit a government employer to reduce retirement benefits based on work not yet performed by an employee. The measure is prohibited from being interpreted as permitting the reduction of retirement benefits for work that has been performed by an employee.

ANALYSIS

Existing Law

Allen v. City of Long Beach (1955), 45 Cal.2d 128 established the “California Rule,” which permitted the reasonable modification of contractual pension rights, provided that any changes that result in a disadvantage to employees should be accompanied by comparable new advantages. For example, any decreases to future benefit accruals would not be permitted unless a comparable advantage to compensate for that decrease were provided. A case currently pending review in the California Supreme Court, *Marin Assn. of Public Employees v. Marin County Employees’ Retirement Assn* (2016) 2 Cal.App.5th 674, will be examining the issue of whether the exclusion of certain items of compensation earnable on a prospective basis was permissible. The exclusion of such items may result in a lower final compensation and therefore a lower retirement benefit.

This Bill

SCA 8 would amend the California Constitution to permit a government employer to reduce retirement benefits based on work not yet performed by an employee. However, the measure would be prohibited from being interpreted to permit the reduction of retirement benefits for work already performed by an employee.

A “government employer” is defined as the state and any political subdivisions of the state, including but not limited to various public entities. Charter counties such as the County of Los Angeles would be included in the definition of a government employer.

“Retirement benefits” would include defined benefit pension plans, defined contribution plans, retiree health care plans, or any form of deferred compensation offered by a government employer.

This analysis will examine the retirement benefits administered by LACERA, which include the defined benefit plan and the retiree health care plan.

Defined benefit pension plans. These plans provide a lifetime monthly benefit based on a formula consisting of final compensation, service credit, and an age factor. A reduction of a defined benefit would entail a reduction in any of these factors in the benefit formula.

The reduction of final compensation can be achieved in two ways. One method would be increasing the number of pay periods in which final compensation is calculated. For example, a 36-month final compensation period would result in a lower final compensation than a 12-month period. The other method would be excluding certain items of compensation earnable or pensionable compensation from being considered as includible in final compensation. Not including such items would result in a lower final compensation amount and therefore a lower retirement benefit. This is the issue that is under review in *Marin Assn. of Public Employees v. Marin County Employees' Retirement Assn.*

Service credit is currently earned based upon making the required contribution for a pay period. For example, a full-time member would earn service credit for each pay period in which he or she makes the full contribution. A half-time member would earn service credit on a half-time basis since he or she would be making half the contribution required of a full-time member. Thus, the rate of service credit accrual is based on the time basis of the member's employment position. It is not clear whether the rate of service credit accrual can be based on something other than the time basis of a member's position.

The age factor is based upon the member's plan tier. Generally, this is the most significant factor that determines the value of a member's retirement benefit. For example, at LACERA, Plan A members generally receive the highest retirement benefit compared to other plan tiers, all other things being equal. SCA 8 would permit a government employer to establish a lower plan tier and thus apply a lower age factor to work performed (as measured by service credit) on a prospective basis.

Retiree health care plans. Members currently accrue a health care subsidy for the retiree health care plan that begins at 40 percent of the benchmark premium cost with 10 years of service. For each additional year of service, members receive an additional 4-percent subsidy. A reduction of retirement benefits in the context of the health care plan may involve stopping or reducing the rate of accrual for the health care subsidy. For example, a member with 15 years of service may have accrued a 60-percent subsidy but would no longer accrue 4 percent (or may accrue a lower subsidy percentage) for additional years of service going forward if the benefit were to be reduced based on SCA 8.

Legislatively referred constitutional amendment. This proposal must be passed by two-thirds of the membership of the Senate and the Assembly in order for it to be submitted for ratification or rejection by the state's voters. In contrast, initiated constitutional amendments are proposed by citizens that must gather a sufficient number of signatures for the proposal to appear on a ballot.

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD adopt an “Oppose” position on Senate Constitutional Amendment 8 unless pulled from the Senate Committee, which provides authority to a government employer to reduce public employee retirement benefits.

Attachments

Attachment 1—Board Positions Adopted on Related Legislation

Attachment 2—Support And Opposition

SCA 8 (Moorlach) as introduced on February 15, 2017

cc: Gregg Rademacher
Robert Hill
John Popowich
Fern Billingsy
Johanna Fontenot
Michael Herrera
Jill Rawal
Joe Ackler, Ackler & Associates

SCA 8

Attachment 1—Board Positions Adopted on Related Legislation

Board of Retirement

May 1, 2017

Page 1

BOARD POSITIONS ADOPTED ON RELATED LEGISLATION

ACA 3 (2016, died in committee) limits enhancements to a retirement benefit to service performed on or after the operative date of the enhancement. The Board of Retirement adopted a “Watch” position.

AB 1812 (2016, died in committee) limits retirement benefits to \$100,000 per year for members of a public retirement system whose service is not covered by Social Security and to \$80,000 per year for members whose service is covered by Social Security. The limits apply to new members on or after January 1, 2017. The Board of Retirement adopted an “Oppose” position.

AB 1633 (2012, died in committee) limits retirement benefits to \$100,000 per year for members of a public retirement system whose service is not covered by Social Security and to \$80,000 per year for members whose service is covered by Social Security. The limits apply to new members on or after January 1, 2013. The Board of Retirement adopted a “Watch” position.

SCA 8
Attachment 2—Support And Opposition
Board of Retirement
May 1, 2017
Page 1

SUPPORT

None

OPPOSITION

None

Introduced by Senator Moorlach

February 15, 2017

Senate Constitutional Amendment No. 8—A resolution to propose to the people of the State of California an amendment to the Constitution of the State, by adding Section 17.5 to Article XVI thereof, relating to public employee retirement benefits.

LEGISLATIVE COUNSEL'S DIGEST

SCA 8, as introduced, Moorlach. Public employee retirement benefits.

Existing statutory law establishes various public agency retirement systems, including, among others, the Public Employees' Retirement System, the State Teachers' Retirement System, the Judges' Retirement System II, and various county retirement systems pursuant to the County Employees Retirement Law of 1937, and these systems provide defined pension benefits to public employees based on age, service credit, and amount of final compensation. The California Constitution permits a city or county to adopt a charter for purposes of its governance that supersedes general laws of the state in regard to specified subjects, including compensation of city or county employees. The California Constitution establishes the University of California as a public trust with full powers of organization and government, subject only to specified limitations. Under their respective independent constitutional authority, charter cities and counties and the University of California may and have established retirement systems. The California Public Employees' Pension Reform Act of 2013 (PEPRA) generally requires the retirement systems to which it applies to modify their provisions to conform with its requirements. PEPRA excepts from its provisions retirement systems established by charter cities and counties and the University of California. PEPRA requires the retirement systems that

it regulates and that offer defined benefit plans to provide specified defined benefit formulas and prescribes requirements regarding employer and employee contributions to defined benefit pension plans.

This measure would permit a government employer to reduce retirement benefits that are based on work not yet performed by an employee regardless of the date that the employee was first hired, notwithstanding other provisions of the California Constitution or any other law. The measure would prohibit it from being interpreted to permit the reduction of retirement benefits that a public employee has earned based on work that has been performed, as specified. The measure would define government employer and retirement benefits for the purposes of its provisions.

Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

1 WHEREAS, The State of California has made retirement
2 security a priority for public employees since the early part of the
3 20th century by creating various state and local pension systems;
4 and

5 WHEREAS, Over nearly a century of experience has shown
6 that when planned and paid for, pensions can be useful in attracting
7 and retaining good talent to public service. However, pension
8 systems have also shown great weaknesses in properly accounting
9 for their future retirement obligations, paying the normal costs of
10 funding pension plans and mitigating risk associated with the
11 market, thus often shifting unfunded liabilities and other financial
12 risks to taxpayer costs of paying retirement and pension benefits
13 when they outstrip revenues and investment returns; and

14 WHEREAS, The nonpartisan Legislative Analyst's Office
15 estimates the current unfunded liabilities for the Public Employees'
16 Retirement System, the Teachers' Retirement System, and the
17 University of California Retirement System at approximately \$140
18 billion; and

19 WHEREAS, The Pew Charitable Trusts, using data from 2012,
20 found California ranked highest in the nation for unfunded pension
21 obligations; and

22 WHEREAS, The unfunded public pension liabilities of
23 California and its local governments' are estimated to be over
24 one-half trillion dollars; and

1 WHEREAS, Public pension debt has contributed to the
2 bankruptcies of the cities of Stockton, Vallejo, and San Bernardino
3 and has left other California municipalities in dire fiscal straits.
4 As a result, several municipalities in the state now have the difficult
5 task of balancing budgets in a way that is fair to both public
6 employees and taxpayers, while continuing to provide basic
7 services; and

8 WHEREAS, As noted by the Manhattan Institute: “In recent
9 years, California municipalities have seen retirement benefit costs
10 grow at a rate above that of taxes, fees, and charges. ‘Crowd-out’
11 is the term given to this condition by some public officials forced
12 to deal with the resulting fiscal strain. Balanced budget
13 requirements mandate that when costs grow more rapidly than
14 revenues, something must give. All too often, this has meant
15 reductions in core government services, most of which—police,
16 fire, libraries, parks, and street and sidewalk maintenance—are
17 delivered at the local level in California”; and

18 WHEREAS, While state government retirees collect guaranteed
19 pensions, young and future taxpayers will be responsible for paying
20 the bill. Growing unfunded obligations have particularly serious
21 ramifications for the millennial generation, who are sinking under
22 the weight of public debts and obligations incurred years before
23 they were even born; and

24 WHEREAS, While recent legislation and action by several
25 pension boards have put the state on a more prudent financial path,
26 much fundamental and substantial reform is still left to be done to
27 make California’s pension systems sustainable for both employees
28 and taxpayers; and

29 WHEREAS, Several recent polls, include those done by Reason
30 Foundation and the Public Policy Institute of California, show that
31 nearly three out of four of respondents say the amount of money
32 spent on public employee pensions is a problem and that voters
33 should have a great say in reforms; and

34 WHEREAS, Elements of true reform should make pensions fair
35 to government workers and accountable to taxpayers in a simple
36 and transparent manner, and include the ability for government
37 entities to create a defined contribution plan or defined
38 benefit/defined contribution hybrid pension plan for their current
39 and new employees. Fundamental reforms should address the

1 “California Rule” and allow the state and municipalities to modify
2 future pension benefits for current public employees; and

3 WHEREAS, Local governments and the electorate should have
4 a voice on what reforms may happen and how they may occur;
5 and

6 WHEREAS, Failing to now adequately address the current
7 pension unfunded liabilities in California and ignoring the debt
8 pressure pension costs have on other budget priorities will only
9 prolong the problems and delay meaningful reform. It will also
10 endanger future pension benefits promised to public employees,
11 risk the reduction or elimination of governmental services, and
12 cause taxpayers to incur higher taxes to pay for unfunded liabilities;
13 and

14 WHEREAS, It is in the interest of all Californians to encourage
15 a public pension law that provides a fair, workable plan to pay
16 down the accumulated pension debt as quickly as possible and
17 implements processes and practices that ensure both the state and
18 local governments adequately fund their retirement promises; now,
19 therefore, be it

20 *Resolved by the Senate, the Assembly concurring,* That the
21 Legislature of the State of California at its 2017–18 session
22 commencing on the fifth day of December 2016, two-thirds of the
23 membership of each house concurring, hereby proposes to the
24 people of the State of California, that the Constitution of the State
25 be amended as follows:

26 That Section 17.5 is added to Article XVI thereof, to read:

27 SEC. 17.5. (a) Notwithstanding Section 9 of Article I, or any
28 other provision of this Constitution or law, a government employer
29 may reduce retirement benefits that are based on work not yet
30 performed by an employee regardless of the date that the employee
31 was first hired. This section shall not be interpreted to permit the
32 reduction of retirement benefits that a public employee has earned
33 based on work that has been performed, which shall continue to
34 be subject to the protections of Section 9 of Article I.

35 (b) For the purpose of this section:

36 (1) “Government employer” means the state, or a political
37 subdivision of the state, including, but not limited to, counties,
38 cities, charter counties, charter cities, a charter city and county,
39 school districts, special districts, boards, commissions, the Regents

1 of the University of California, the California State University,
2 and agencies thereof.

3 (2) “Retirement benefits” means defined benefit pension plans,
4 defined contribution plans, retiree health care plans, or any form
5 of deferred compensation offered by a government employer.

O

April 20, 2017

SUPPLEMENTAL AGENDA INFORMATION

TO: Each Member
Board of Retirement

FROM: Barry W. Lew 
Legislative Affairs Officer

FOR: May 11, 2017 Board of Retirement Meeting

SUBJECT: **Assembly Bill 1310—Member Statements**

Author: Allen [R]

Sponsor: Author-sponsored

Introduced: February 17, 2017

*Status: In ASSEMBLY Committee on Public Employees, Retirement
& Social Security: Failed passage (04/19/2017)*

IBLC Recommendation: Watch (04/13/2017)

Staff Recommendation: Watch

RECOMMENDATION

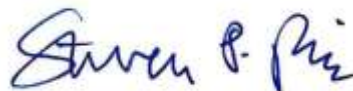
That the Board of Retirement adopt no position on Assembly Bill 1310, which relates to certain disclosures on member statements.

DISCUSSION

On April 19, 2017, AB 1310 was heard in the Assembly Committee on Public Employees, Retirement & Social Security. By a vote of 2 ayes to 5 noes, the bill failed passage in committee and is now dead. There is no need for your Board to take a position on this bill.

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD adopt no position on Assembly Bill 283, which relates to certain disclosures on member statements.

Reviewed and Approved:



Steven P. Rice, Chief Counsel

April 20, 2017

TO: Each Member
Board of Retirement

FROM: Insurance, Benefits and Legislative Committee
William de la Garza, Chair
Vivian H. Gray, Vice Chair
Ronald Okum
Alan Bernstein
David Muir, Alternate

FOR: May 11, 2017 Board of Retirement Meeting

SUBJECT: **Assembly Bill 1310—Member Statements**

*Author: Allen [R]
Sponsor: Author-sponsored
Introduced: February 17, 2017
Status: In ASSEMBLY Committee on Public Employees, Retirement
& Social Security: Failed passage (04/19/2017)*

*IBLC Recommendation: Watch (04/13/2017)
Staff Recommendation: Watch*

RECOMMENDATION

That the Board of Retirement adopt a “Watch” position on Assembly Bill 1310, which requires certain disclosures on member statements.

LEGISLATIVE POLICY STANDARD

A “Watch” position indicates that the legislative proposal does not affect LACERA and its stakeholders but would be enacted under a law that covers LACERA or other retirement systems of the County Employees Retirement Law of 1937 (CERL). Chapter 21 of Division 7 of Title 1 of the Government Code contains provisions that generally apply to California public pension and retirement plans. The proposal would add a new section to Article 1 of Chapter 21.

SUMMARY

AB 1310 would require the retirement board of a public retirement system to disclose the system’s unfunded liability and healthcare debt on member statements (also known as “benefit statements”) provided to members of the system.

ANALYSIS

Existing Law

CERL and other sections of the Government Code that are applicable to LACERA contain no provisions that require LACERA to provide benefit statements to its members or that specify the content of the benefit statements.

This Bill

AB 1310 requires that the retirement board of a public retirement system disclose the unfunded liability and healthcare debt of the system on the benefit statements provided to the members of the system. A “public retirement system” is defined as a state or local public employee retirement system but would not include a retirement system created by the University of California or a charter county or charter city.

The County of Los Angeles became a charter county on June 2, 1913 and established LACERA on January 1, 1938. Therefore, LACERA is a retirement system that was created by a charter county, and the requirements of AB 1310 do not apply to LACERA since it is not a “public retirement system” as defined by the bill.

With respect to CERL retirement systems, AB 1310 would apply to those systems that were not created by a charter county. Currently, the charter counties with retirement systems under CERL include Alameda, Fresno, Los Angeles, Orange, Sacramento, San Bernardino, San Diego, and San Mateo. General law counties with retirement systems under CERL include Contra Costa, Ventura, Kern, San Joaquin, Santa Barbara, Marin, Sonoma, Stanislaus, Tulare, Merced, Imperial, and Mendocino.

LACERA Benefit Statements

LACERA currently provides annual benefit statements to its members who are not retired. The statement contains information current as of the end of the month of a member’s birthday and is mailed to a member within two months after his or her birthday. The benefit statement includes the member’s personal information, plan type, contribution balance, service credit (earned and purchased), retirement eligibility, and beneficiary information. As such, the member’s benefit statement contains information specific to that member in terms of understanding the current status of his or her account and planning for retirement. If AB 1310 were to apply to LACERA, the inclusion of fund-specific liability information in a benefit statement that contains primarily member-specific information may create confusion for the member regarding the status of his or her benefits.

Although AB 1310 does not apply to LACERA, the information required to be disclosed by AB 1310 is already disclosed in LACERA’s annual financial reports. LACERA is required by CERL and other sections of the Government Code to prepare annual financial reports of the retirement fund that are filed with the Auditor-Controller of the

County of Los Angeles and with the State Controller. The annual reports are publicly available on LACERA's website and upon request.

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD adopt a "Watch" position on Assembly Bill 1310, which requires certain disclosures on member statements.

Attachments

Attachment 1—Board Positions Adopted on Related Legislation
Attachment 2—Support And Opposition
AB 1310 (Allen) as introduced February 17, 2017

AB 1310
Attachment 1—Board Positions Adopted on Related Legislation
Board of Retirement
April 20, 2017
Page 1

BOARD POSITIONS ADOPTED ON RELATED LEGISLATION

None

AB 1310
Attachment 2—Support And Opposition
Board of Retirement
April 20, 2017
Page 1

SUPPORT

None

OPPOSITION

American Federation of State, County and Municipal Employees, AFL-CIO
California Association of Professional Scientists
California Federation of Teachers
California Professional Firefighters
California School Employees Association
California State Teachers' Retirement System
Los Angeles County Professional Peace Officers Association
Orange County Employees Association
Organization of SMUD Employees
Professional Engineers in California Government
San Diego County Court Employees Association
San Luis Obispo County Employees Association
Service Employees International Union, Local 1000

ASSEMBLY BILL

No. 1310

Introduced by Assembly Member Travis Allen

February 17, 2017

An act to add Section 7500.3 to the Government Code, relating to public retirement systems.

LEGISLATIVE COUNSEL'S DIGEST

AB 1310, as introduced, Travis Allen. Public retirement systems: member statements: unfunded liability disclosure.

Existing law establishes various public agency retirement systems, including the Public Employees' Retirement System, the State Teachers' Retirement System, the Judges' Retirement System II, and various county retirement systems pursuant to the County Employees Retirement Law of 1937, among others, and these systems provide defined benefits to public employees based on age, service credit, and amount of final compensation. Under existing law, benefits provided to members of those systems are generally funded by employer contributions, employee contributions, and investment returns.

This bill would require the retirement board of a public retirement system, as defined, to disclose the unfunded liability and healthcare debt of the system on each member statement provided to members of the system.

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

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

1 SECTION 1. Section 7500.3 is added to the Government Code,
2 to read:
3 7500.3. (a) The retirement board of a public retirement system
4 shall disclose the unfunded liability and healthcare debt of the
5 system on each member statement provided to members of the
6 system.
7 (b) For purposes of this section, “public retirement system”
8 means a state or local public employee retirement system but does
9 not include a retirement system created by an entity described in
10 Section 9 of Article IX of, or Section 4 or 5 of Article XI of, the
11 California Constitution.

O



April 24, 2017

TO: Each Member
Board of Retirement

FROM: Bernie Buenaflor *Buenaflor*
Division Manager, Benefits Division

FOR: Meeting of May 11, 2017

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

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

Keren M. Goldberg retired from service March 30, 2012. The County of Los Angeles now wishes to re-employ Keren M. Goldberg as a Health Program Analyst I, (Item #4727).

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

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

- The April 19, 2017 statement from the Chief Executive Office confirming the Board of Supervisors' Constructive Approval of the request to re-employ the member. (Attachment 1)



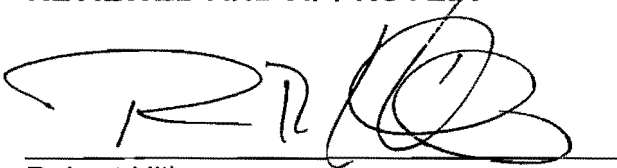
Each Member, Board of Retirement
April 24, 2017
Page 2

- The Department of Mental Health letter to LACERA dated April 3, 2017 requesting the reinstatement of the member and outlining the job duties for a Health Program Analyst I. (Attachment 2)
- The member's letter to LACERA dated April 18, 2017 requesting reinstatement into active membership as a Health Program Analyst I with the Department of Mental Health. (Attachment 3)
- The member's Medical Clearance report signed on November 1, 2016, finding the member not incapacitated for the proposed duties. (Attachment 4)
- A copy of the Class Specification for a Health Program Analyst I. (Attachment 5)

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD:

1. Determine, based upon medical evaluation conducted November 1, 2016, that Keren M. Goldberg is not incapacitated for the duties assigned to her in the position of Health Program Analyst I; and
2. Grant the application of Keren M. Goldberg for reinstatement to active membership.

REVIEWED AND APPROVED:



Robert Hill
Assistant Executive Officer

BB:bb
Div\ben\retstaff\Keren Goldberg.doc

Attachments





County of Los Angeles
CHIEF EXECUTIVE OFFICE

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

SACHI A. HAMAI
Chief Executive Officer

Board of Supervisors
HILDA L. SOLIS
First District

MARK RIDLEY-THOMAS
Second District

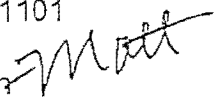
SHEILA KUEHL
Third District

JANICE HAHN
Fourth District

KATHRYN BARGER
Fifth District

April 19, 2017

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

From: Matthew McGloin 
Acting Senior Assistant Chief Executive Officer
Budget and Operations Management Branch

RE: Keren Goldberg Retiree Rehire

To whom it may concern:

The Chief Executive Office submitted a memorandum to the County of Los Angeles Board of Supervisors on February 28, 2017, requesting authorization to re-employ and reinstate the above-referenced retired employee.

There was no inquiry, formal action, or objections from Board offices by the two-week deadline of March 15, 2017. Therefore, in accordance with Board of Supervisors Policy 9.150, all parties should understand that the Board's constructive approval to proceed has been obtained, and the County Department of Mental Health and the Los Angeles County Employee Retirement Association may proceed with associated arrangements for re-employment and reinstatement of the above mentioned employee.

County of Los Angeles
Board of Supervisors
Policy 9.150 - Hiring Retired County Employees To Permanent Positions

The County may hire former retired County employees to permanent positions on an indefinite basis. The Board's action provides the County with an additional management tool to fill critical, emergent or hard to fill positions which require special skills, training and experience or certification and may not be reasonably

Manager, Claims Processing Division
April 19, 2017.
Page2

filled by other than the County retiree. Such authorizations must be approved by the Board of Supervisors. Departments are to submit a Board memo to their Chief Executive Office (CEO) budget analyst prior to filling any position on an indefinite basis with a County retiree. The memo, with CEO recommendation, will be forwarded to the Board for approval, stating that a two-week period exists for a Board member to request formal action prior to filling the position.

The retired employee being hired must cancel his/her retirement allowance through the Board of Retirement until termination of the new re-employment. This policy does not replace the statute which allows rehiring retired County employees temporarily for up to 960 hours (120 working days) per fiscal year.

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

if you have any questions or need additional information, please contact me at mmcgloin@ceo.lacounty.gov or (213) 974-1694, or staff may contact James Sokalski at jsokalski@ceo.lacounty.gov or (213) 974-1274.

MM:MM
JS:bjs

c: Mental Health

041917_HMHS_M_Goldberg Retiree



LOS ANGELES COUNTY
DEPARTMENT OF MENTAL HEALTH

JONATHAN E. SHERIN, M.D., Ph.D., Director
ROBIN KAY, Ph.D., Chief Deputy Director
RODERICK SHANER, M.D., Medical Director



April 3, 2017

RECEIVED
APR 5 - 2017
MAILROOM

Los Angeles County Employee's Retirement Association
Manager, Claims Processing Division
P.O. Box 7060
Pasadena, CA 91109

Dear Manager, Claims Processing, LACERA:

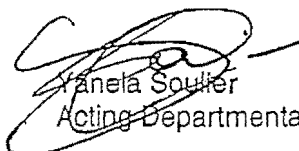
Keren M. Goldberg retired on March 30, 2012

The Department of Mental Health (DMH) would like to re-employ Keren M. Goldberg as a permanent Health Program Analyst I, in accordance with Government Code Section 31680.4. On March 15, 2017, DMH secured from the Chief Executive Office and the Board of Supervisors all the necessary approvals. Ms. Goldberg will restructure the Clergy Advisory Committee in collaboration with its faith community members. Her knowledge and skills will be beneficial to the Department.

I understand that the Department may re-employ Ms. Goldberg only upon approval of the Chief Executive Office, the Board of Supervisors, and Board of Retirement.

If you have any questions or require additional information, please call me at (213) 972-7082 or you can contact Patsy Ayala, Administrative Services Manager at (213) 972-7088.

Sincerely,


Yaneta Soulier
Acting Departmental Human Resources Manager

YS:pa

c: Kimberly Hines, Division Manager Claims Processing, LACERA
Patsy Ayala

Attachment 2



April 18, 2017

Manager Benefits Division

P.O. Box 7060

Pasadena, CA 91109

Dear Manager,

I wish to be re-employed as a permanent employee. This letter is to request that my monthly retirement benefit be suspended and that I be reemployed as a Health Program Analyst 1, with the Department of Mental Health, pursuant to Government Code Section 31680.4.

Enclosed, is a medical evaluation stating that I am not incapacitated for the duties I will be performing. Thank you.

Sincerely,


Keren M. Goldberg

Attachment 3



CORFM

REEMPLOYMENT AND REINSTATEMENT TO ACTIVE LACERA
MEMBERSHIP

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

On NOV 1, 2016 I, the undersigned, conducted or oversaw the
<date of medical examination>,

medical examination of Keren Goldberg
<Name of Retiree>

pursuant to Section 31580.4 or 31680.8 of the County Employees Retirement Law, in connection with
this Retiree's application to be re-employed as:

Health Program Analyst
<Prospective Job Title>.

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

Signature of Physician performing or overseeing medical examination:

[Handwritten Signature]

Print Name and Title of Physician:

Ken Carrigan, MD Senior physician

Date Signed:

NOV 1, 2016

Page 3 of 3

RECEIVED
NOV - 8 2016
MAILROOM



Attachment 4



COUNTY OF LOS ANGELES
invites applications for the position of:

HEALTH PROGRAM ANALYST I

SALARY:

OPENING DATE: 11/07/16

CLOSING DATE: 11/10/16 05:00 PM

POSITION/PROGRAM INFORMATION:

<input checked="" type="checkbox"/>

EXAM NUMBER:

PH4727

FIRST DAY OF FILING:

November 10, 2016

Filing will start effective Thursday, November 10, 2016, from 8:00 a.m. (PST) and will close at 5:00 p.m. (PST) on the same day (11/10/16). Applications received after 5:00p.m. on 11/10/16 will not be considered.

TYPE OF RECRUITMENT:

Open Competitive Job Opportunity

DEFINITION:

Participates in planning, implementing, administering, and evaluating mental health and public health programs.

CLASSIFICATION STANDARDS:

This is the entry-level class in the Health Program Analyst Series. Positions allocable to this classification are located in the department Public Health and perform routine-to-difficult program work that is directly related to the department's core mission or business, rather than an auxiliary or support function. Factors affecting allocation of positions in the Health Program Analyst Series include but are not limited to scope and complexity of program/clinic, program budget, number and size of contracts, and size and composition of clinical, professional, and support staff.

Positions allocated to the Department of Public Health typically report to and receive supervision from a higher level program analyst. Positions are distinguished by responsibility for performing assignments within the key functional areas of a public health program, such as program and policy development, planning, implementation, and evaluation.

Positions in the Health Program Analyst Series are distinguished from positions allocated to perform contract development and administration activities as part of a centralized departmental contracting function. Health Program Analyst I is distinguished from Health Program Analyst II in that the latter carries out complex and difficult assignments in support of program operations of a medium- to large-sized clinic or a comparably-sized Countywide program; or performs assignments of this nature as part of a centralized, departmental program support function.

Attachment 5

These positions require working knowledge of principles of program administration, organization, and planning; methodologies, concepts, and practices of human services program development, support, and evaluation; and the ability to collect, evaluate, and synthesize data, draw conclusions, and formulate recommendations in connection with community health programs; interpret Federal, State, and County legislative regulations and mandates; and establish and maintain effective working relationships with staff, community members, and other public and private agencies; and communicate effectively orally and in writing.

ESSENTIAL JOB FUNCTIONS:

Participates in the development, implementation, and evaluation of health-focused programs.

Assists with the development, implementation, monitoring and evaluation of program policies, goals, and objectives.

Assists with the development and preparation of grants and ensures compliance with grant requirements.

Assists with the coordination, planning and development of budgets for programs; assists with the monitoring of established budgets.

Evaluates contract activities related to compliance, service delivery, operations, and budgets for quality assurance.

Gathers and analyzes information pertaining to the project or program including overall evaluation and prepares a variety of reports and correspondence related to the program.

Assists in formulating and presenting recommendations to management for program modifications or corrective action based on program evaluations.

Coordinates and participates in focus groups with clients regarding quality of care issues.

Assists in the development and implementation of community action plans, and aides in the policy passage and implementation process.

May represent or advocate for the needs and rights of clients at hearings or meetings with service providers.

REQUIREMENTS:

SELECTION REQUIREMENTS:

A Bachelor's Degree* from an accredited college or university in a discipline related to the core business function of the department

-AND-

Two (2) years of paid experience at the level of Management Analyst** performing assignments in public health program analysis. A Master's Degree* from an accredited college or university in a discipline related to the core business function of the department may be substituted for one year of the required experience.

LICENSE:

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

PHYSICAL CLASS:

2 - Light - Light physical effort which may include occasional light lifting to a 10 pound limit, and some bending, stooping or squatting. Considerable walking may be involved.


SPECIAL REQUIREMENT INFORMATION:

**In the County of Los Angeles a Management Analyst performs a variety of analytical, technical, and/or confidential and sensitive assignments in core functional areas of human resources, contract development and administration, or health programs operations and administration.

Attachment 5

April 24, 2017

TO: Each Member
Board of Retirement

FROM: Ricki Contreras, Division Manager 
Disability Retirement Services

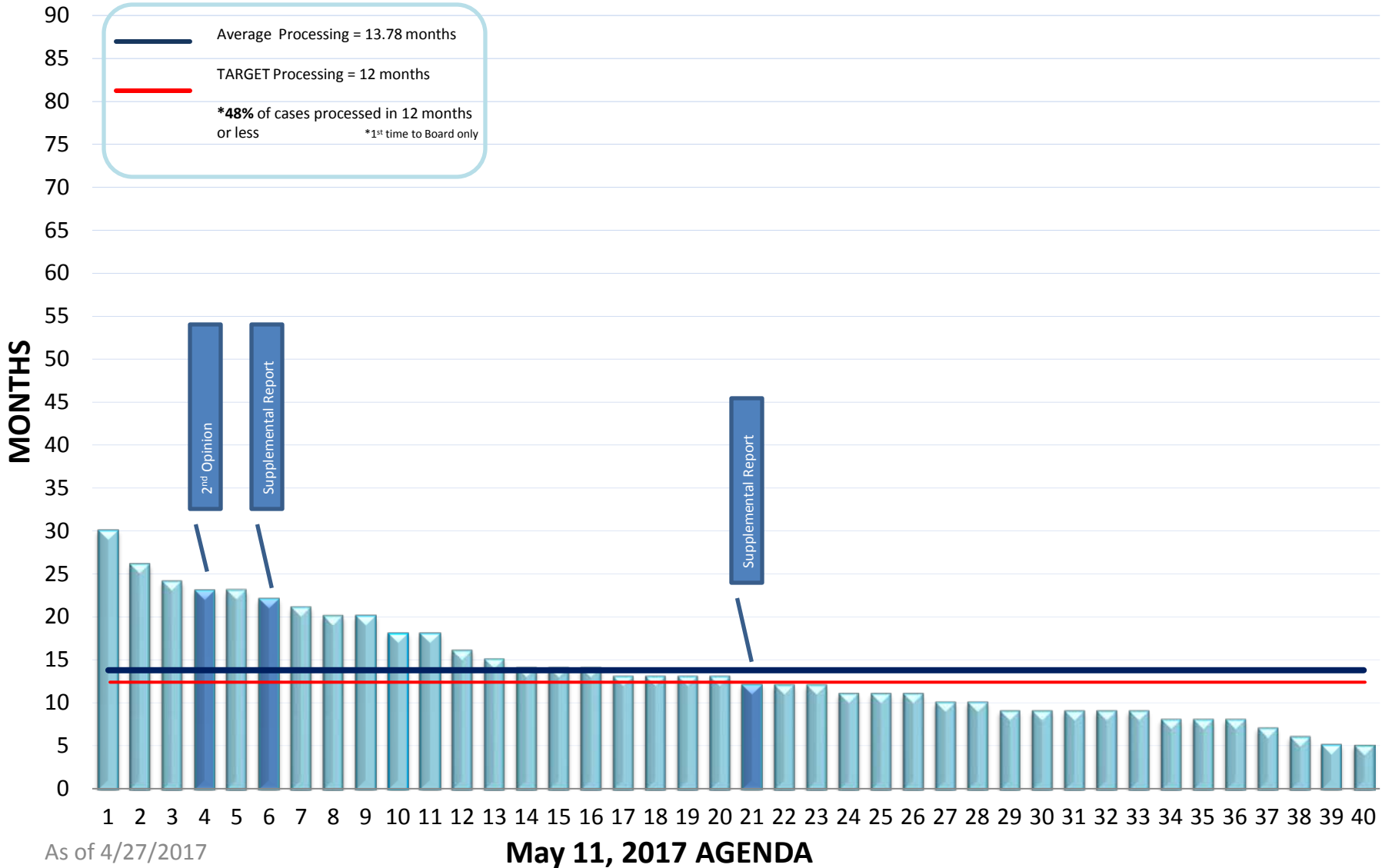
FOR: May 11, 2017 Board of Retirement Meeting

SUBJECT: **Application Processing Time Snapshot Reports**

The following chart shows the total processing time from receipt of the application to the first Board action for all cases on the May 11, 2017 Disability Retirement Applications Agenda.

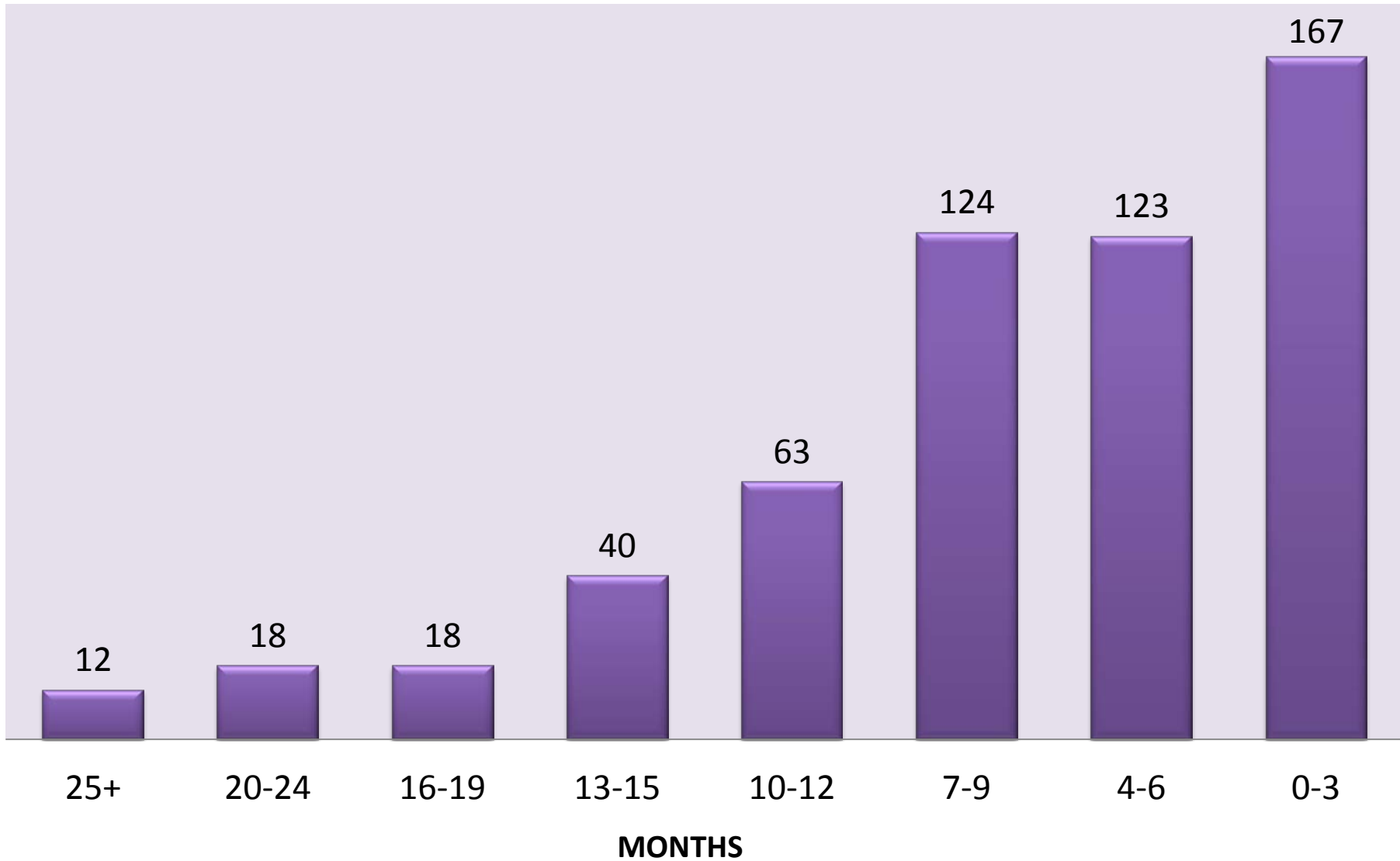
Consent & Non-Consent Calendar			
Number of Applications	37		
Average Processing Time (in Months)	13.35		
Revised/Held Over Calendar			
Number of Applications	3		
Average Processing Time (in Months)	Case 1 23	Case 2 22	Case 3 12
Total Average Processing Time for Revised/Held Over Calendar	19		

ACTUAL vs. AVERAGE PROCESSING TIME



TIME ELAPSED FOR PENDING APPLICATIONS

NUMBER OF APPLICATIONS



As of 4/27/2017



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**



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

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



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