

AGENDA

MEETING OF THE OPERATIONS OVERSIGHT COMMITTEE and BOARD OF RETIREMENT*

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 NORTH LAKE AVENUE, SUITE 810
PASADENA, CA 91101

WEDNESDAY, SEPTEMBER 6, 2017 - 9:00 A.M.**

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

COMMITTEE MEMBERS:

Alan Bernstein, Chair
Anthony Bravo, Vice Chair
Joseph Kelly
Ronald Okum
David Muir, Alternate

I. APPROVAL OF THE MINUTES

A. Approval of the minutes of the regular meeting of August 2, 2017

II. PUBLIC COMMENT

III. FOR INFORMATION

A. LACERA Operations Briefing
Robert Hill/JJ Popowich

B. Retiree Healthcare Member Verification Audit Report
Audit Committee

C. Member Services: Escalations
Allan Cochran

September 6, 2017

Page 2

IV. REPORT ON STAFF ACTION ITEMS

V. GOOD OF THE ORDER

(For information purposes only)

VI. ADJOURNMENT

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

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

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

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

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

WEDNESDAY, AUGUST 2, 2017, 11:02 A.M. – 11:08 A.M.

COMMITTEE MEMBERS

PRESENT: Alan Bernstein, Chair
Anthony Bravo, Vice Chair
Ronald Okum
David Muir, Alternate

ABSENT: Joseph Kelly

ALSO ATTENDING:

BOARD MEMBERS AT LARGE

Marvin Adams
Vivian H. Gray
Keith Knox (Chief Deputy to Joseph Kelly)

STAFF, ADVISORS, PARTICIPANTS

Robert Hill
JJ Popowich
James Pu
Dr. Vito Campese, Medical Advisor

James Beasley
Allan Cochran

The meeting was called to order by Chair Bernstein at 11:02 a.m. Due to the absence of Mr. Kelly, the Chair announced that Mr. Muir, as the alternate, would be a voting member of the Committee.

I. APPROVAL OF THE MINUTES

A. Approval of the minutes of the regular meeting of July 5, 2017

Mr. Okum made a motion, Mr. Bravo seconded, to approve the minutes of the regular meeting of July 5, 2017. The motion passed with Mr. Muir abstaining.

II. PUBLIC COMMENT

III. ACTION ITEMS

A. Recommendation as submitted by James Beasley, Administrative Services Analyst: That the Committee recommend the Board of Retirement approve the purchase of Fiduciary Liability Insurance effective October 6, 2017 with Hudson Insurance Company. (Memorandum dated July 20, 2017)

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

IV. FOR INFORMATION

A. LACERA Operations Briefing
Robert Hill/JJ Popowich

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

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

B. Chief Information Officer's Report
James Pu

C. Member Services: Escalations
Allan Cochran

There being no objection from the Committee, Chair Bernstein announced that Items B and C would be postponed until the September meeting.

V. REPORT ON STAFF ACTION ITEMS

There was nothing to report on for staff action items.

VI. GOOD OF THE ORDER

(For information purposes only)

VII. ADJOURNMENT

The meeting adjourned at 11:08 a.m.

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

FOR INFORMATION ONLY

August 28, 2017

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

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

FOR: September 6, 2017 Operations Oversight Committee Meeting

SUBJECT: **LACERA OPERATIONS BRIEFING**

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

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

DATE RECEIVED	REQUESTER	DOCS REQUESTED
<p>07-13-17 (Legal received the request on 07-19-17)</p>	<p>M. Rinaldi, Shippensburg Police Dept., PA</p>	<p>Provide information as to what position L. Williams held at her retirement, amount of monthly pension payment, address where payment was sent, or the financial institution where it was deposited. In addition, if L. Williams received any other benefits such as health insurance.</p> <p><i>Transmitted 1 document.</i></p> <p><i>Sent via email: Excel document titled PRA Request Williams - provides information for</i> <i>gross monthly medical benefits;</i> <i>gross monthly retirement base benefit;</i> <i>gross monthly retirement COLA benefit, and</i> <i>positon at time of retirement.</i></p>
<p>07-14-17 (Received after timeline cut-off for previous month's TOC.)</p>	<p>C. Nocon, Thomson Reuters</p>	<p>Requested bond holdings information for the below funds.</p> <ol style="list-style-type: none"> 1. Los Angeles County Employees Ret Association (Barclays) 2. Los Angeles County Employees Ret Association (BlackRock) 3. Los Angeles County Employees Ret Association (Dolan McEniry) 4. Los Angeles County Employees Ret Association (Goldman Sachs) 5. Los Angeles County Employees Ret Association (GW Capital) 6. Los Angeles County Employees Ret Association (LM Capital) 7. Los Angeles County Employees Ret Association (Loomis Sayles) 8. Los Angeles County Employees Ret Association (Oaktree) 9. Los Angeles County Employees Ret Association (PENN Capital) 10. Los Angeles County Employees Ret Association (PIMCO) 11. Los Angeles County Employees Ret Association (Post Advisory) 12. Los Angeles County Employees Ret Association (Principal GI) 13. Los Angeles County Employees Ret Association (Pugh Capital) 14. Los Angeles County Employees Ret Association (Standish Mellon) 15. Los Angeles County Employees Ret Association (WAMCO) 16. Los Angeles County Employees Ret Association (Wells Capital) 17. Los Angeles County Employees Retirement Association (LACERA) <p><i>Transmitted 1 document.</i></p> <p><i>Sent via email: LACERA Fixed Income Holdings Report as of March 31, 2017.</i></p>

DATE RECEIVED	REQUESTER	DOCS REQUESTED
07-18-17	M. Sunitha, AARM Corp	<p>Requested Alternative Investment's performance data for the Q4 of 2016, Q1 of 2017.</p> <p>1. For Commitments to Alternative Investment Funds, please provide the following information on an Excel spread sheet format.</p> <p style="padding-left: 40px;">a) Please include all private equity, real estate and hedge funds.</p> <p style="padding-left: 40px;">b) For each fund, please include Fund Name, Strategy, Commitment, Cash In, Cash Out, Net Asset Value, Cash Out + NAV, Net Investment Multiple, Net IRR, Management fees.</p> <p style="padding-left: 40px;">c) For secondary market purchases and sales in funds, please include Trade Date, Gross Proceeds, Counter-Party, Agent and Price (as a percent of Net Asset Value).</p> <p>2. For Direct Investments in Private Companies, please provide the following information on an Excel spread sheet format.</p> <p style="padding-left: 40px;">a) For each company, please include Company Name, Industry, Gross Proceeds, Security Class, Quantity, Price per Share.</p> <p style="padding-left: 40px;">b) For secondary market purchases and sales in companies, please include Trade Date, Gross Proceeds, Counter-Party, Agent and Price (per share).</p> <p><i>Transmitted 3 documents.</i></p> <p><i>Sent via email: Portfolio Investment Report as of December 31, 2017; Real Estate 4th Qtr 2016 Report, and 3rd Qtr 2016 Hedge Fund Performance.</i></p>
07-18-17	A. Kruk, Mandate Wire	<p>Requested documents related to:</p> <ol style="list-style-type: none"> 1. the "future of LACERA" presentation by Funston Advisory Services 2. the asset allocation presentation by Funston, Meketa, and investment staff 3. the asset category analysis presented by investment staff 4. the fee study presentation from investment staff <p><i>Transmitted 1 document.</i></p> <p><i>Sent via email: LACERA Board Offsite Investment Portfolio dated July 20, 2017.</i></p>
07-19-17	R. Weaver, As You SOW	<p>Would like to know if your fund is actively considering revising its guidelines on voting on executive compensation matters.</p> <p><i>Transmitted 1 document.</i></p> <p><i>Sent via email: LACERA Voting Proxy Summary from October 1, 2014 to September 30, 2015.</i></p>

DATE RECEIVED	REQUESTER	DOCS REQUESTED
07-24-17	L. Osborne, Center for Retirement Research	<p>Three questions about the Los Angeles County ERS. Understand that members who leave the system receive a refund of their accumulated contributions with interest. Could LACERA clarify what interest rate is/was most recently applied? Second, are active members eligible for early retirement? Third, if they are eligible, what is their benefit structure and or benefit reduction rate? s</p> <p>Retired Members and <u>Beneficiaries at Current Age</u></p> <p>Under 35 35-39 40-44 45-49 50-54 55-59 60-64 65-69 70-74 75-79 80-84 85-89 90-94 95-99 100 & Over All Ages</p> <p>Number of <u>Retirees/Beneficiaries</u></p> <p>118 88 177 489 1,200 3,221 6,761 12,414 12,630 9,367 7,049 4,926 2,617 762 95 61,914</p> <p><u>Average Monthly Benefit</u></p> <p>\$1,509 \$2,430 \$2,942 \$3,090</p>

DATE RECEIVED	REQUESTER	DOCS REQUESTED
		\$,3046 \$4,561 \$4285 \$4,303 \$4,313 \$3,921 \$3,602 \$3,297 \$2,965 \$2,688 \$2,418 \$3,974
07-26-01 (Legal received 08-01-17)	G. Fox, RDS Services	Obtain copies of the RFP for Retiree Drug Subsidy. <i>Transmitted 3 documents.</i> <i>Legal transmitted following response on August 10, 2017: We are preparing the RDS RFP submittals in response to your attached request. Please be advised that I will be complete in the scanning and redaction process by Wednesday August 15, 2017.</i> <i>Telephone conference with Mr. Fox on August 18, 2017 to inform him the response would be forwarded to him the week of August 21, 2017.</i> <i>Sent via email on August 23, 2017 the three documents listed below.</i> <ol style="list-style-type: none"> 1. Medicare Part D Retiree Drug Subsidy Audit Services dated June 13, 2016; 2. LACERA Medicare Part D RDS Audit Services Proposal dated June 13, 2016, and 3. LACERA Medicare Part D RDS Audit dated June 13, 2016. 4.
07-28-17	K. Kansal, Individual	Requested Q4 PE Report. <i>Transmitted 1 document.</i> <i>Sent via email: PE Portfolio Investment Report as of December 31, 2016.</i>
07-28-17	K. Wong, Avison Young	Requested the BOI meeting minutes for the following months: July 2016 – May 2017. <i>Transmitted 11 documents.</i> <i>Transmitted information via email.</i>
08-02-17	S. Ayers, Tristar Group	Transmitted monthly request for Retiree's Benefit Approval List. <i>Transmitted 1 document.</i> <i>Sent via email: LACERA's Retiree list dated August 2, 2017.</i>

DATE RECEIVED	REQUESTER	DOCS REQUESTED
08-02-17	J. Hammond, RELAC	<p>Transmitted monthly request for Retiree's Benefit Approval List.</p> <p><i>Transmitted 1 document.</i></p> <p><i>Sent via email: LACERA's Retiree list dated August 2, 2017.</i></p>
08-02-17	LA County Sheriffs Dept.	<p>Requested monthly reports.</p> <p><i>Transmitted 2 reports.</i></p> <p><i>Sent via email:</i> <i>Monthly Sheriff Department Listing and Monthly Fire Department Listing each dated 8/2/2017 with a date run of July 27, 2017.</i></p>
08-02-17	L. Robbins, LASD	<p>Transmitted monthly request for Retiree's Benefit Approval List.</p> <p><i>Transmitted 1 document.</i></p> <p><i>Sent via email: LACERA's Retiree list dated August 2, 2017.</i></p>
08-03-17	H. Parker, Pregin	<p>Provide information on the management fees paid by Los Angeles County Employees' Retirement Association for its venture capital and private equity investments for the fiscal years 2014-2015. Requested updated records of this information: For each private equity, venture capital, and other limited partnerships in which Los Angeles County Employees' Retirement Association is an investor. Requested record of all fees and other expenses paid by Los Angeles County Employees Retirement Association for the fiscal year 2016? If possible can this also be split between management fees and other costs and show the dates upon which each payment was made?</p> <p><i>Response sent to Requestor via email on 08-07-17: Last year LACERA provided you with the reports that you attached with your requests. Would like to clarify to determine LACERA is looking for the same reports for the FY 2016 or if you are requesting different information.</i></p> <p><i>Transmitted 1 document.</i></p> <p><i>Response to Requestor sent via email 08-08-17: Attached the State Street FY 2016 management fee report. The sample report that you sent from last year is no longer available. LACERA now receives this information from our custodial bank, State Street.</i></p>
08-07-17	J. Stevens, Individual	<p>Requested agenda packet for BOI meeting held on, Wednesday, August 9, 2017.</p> <p><i>Transmitted information via email.</i></p>
08-07-17	D. Kushner, Individual	<p>Requested agenda packet for BOI meeting held on, Wednesday, August 9, 2017.</p> <p><i>Transmitted information via email.</i></p>
08-07-17	H. Leiderman, ReedSmith	<p>Requested agenda packet for BOI meeting held on, Wednesday, August 9, 2017.</p> <p><i>Transmitted information via email.</i></p>

DATE RECEIVED	REQUESTER	DOCS REQUESTED
08-07-17	F. Massey, Individual	Requested agenda packet for BOI meeting held on, Wednesday, August 9, 2017. <i>Transmitted information via email.</i>
08-07-17	S. Moomjean, CEO, LA County	Requested agenda packet for BOI meeting held on, Wednesday, August 9, 2017. <i>Transmitted information via email.</i>
08-07-17	R. Rubalcava, SEIU 721	Requested agenda packet for BOI meeting held on, Wednesday, August 9, 2017. <i>Transmitted information via email.</i>
08-09-17	D. Gregory, Public PlanIQ	Requested copies of the following materials shown below. 1. August 9, 2017 Board of Investments Meeting: All investment related discussion materials. 2. August 9, 2017 Corporate Governance Committee Meeting: All investment related discussion materials. 3. August 9, 2017 Equity Public/Private Committee Meeting: All investment related discussion materials. August 9, 2017 Fixed Income/Hedge Funds/Commodities Committee Meeting: All investment related discussion 4. August 9, 2017 DVD recording of the Board of Investments & All Committee Meetings. <i>Transmitted 4 documents.</i> <i>Sent via email August 11, 2017 the agenda packets for BOI, Corporate Governance, Fixed Income/Hedge Funds and Equity: Public Private Committee meetings held on August 9, 2017.</i> <i>Sent 08-11-17 via USPS First Class mail: DVD re BOI open sessions.</i>

DATE RECEIVED	REQUESTER	DOCS REQUESTED
08-09-18	A. Kruk, Mandate Wire	<p>Update on what occurred:</p> <ol style="list-style-type: none"> 1. Were commitments to Alchemy Special Opportunities Fund IV, Waterland Private Equity Fund VII, and Onex Partners V approved? If so, what were the sizes of the commitments and was there any particular reason why the commitments were finalized at this time? 2. Would it be possible for you to forward on the following documents: <ol style="list-style-type: none"> a) The CIO's report (Agenda item IV) b) The proposed Board of Investment Regulations (Agenda item VIII C) c) The private equity fee report (Agenda item IX A) d) The private equity performance report (Agenda item IX B) e) Update on Private Equity Emerging Manager Program Fund-of-Funds Separate Account Manager Search (Agenda item IX D) f) The performance review of the real estate consultant (Agenda item IX F) g) Meketa Investment Group self-evaluation (Agenda item IX G) <p><i>Transmitted 1 document.</i></p> <p><i>Sent via email: agenda packet for BOI meeting held on, Wednesday, August 9, 2017</i></p>
08-09-17	R. Rao, Money Management	<p>Questions and Answers. (Answers in blue text.)</p> <p>In regards to your first question “what investment/policy decision and changes were made if any” the Board had several policy items on their Agenda and Committees yesterday. In order to respond to your request, I have attached the Meeting documents for your convenience. All the items were approved, some with modifications that staff will make and return to the Board at a future date. The Board policies will be available on LACERA’s website once they are approved by the Board.</p> <p>http://www.lacera.com/investments/investment_policy.html</p> <p>In response to your second question, the Board approved all three investments: Alchemy was approved for up to £130 million; Waterland was approved for up to £50 million; and Onex Partners was approved for up to \$200 million.</p> <p>In regards to your follow-up email to Mr. Grabel, LACERA has the following response to the eight requests:</p> <ol style="list-style-type: none"> 1. Did the committee approve a direct investment program for the public equity emerging manager program? <p>Yes.</p>

DATE RECEIVED	REQUESTER	DOCS REQUESTED
		<p>2. How much was that mandate worth? Who was it awarded to?</p> <p><i>The engagement amounts will be made on a firm by firm basis based upon LACERA's Investment Policy Statement. No awards have been made.</i></p> <p>3. Why were fund-of-fund managers FIS Group and Northern Trust terminated? How much money did they manage and who will that money go to?</p> <p><i>Both firms failed to meet stated performance objectives as outlined in the Memo to the Board that is attached in the Board of Investments materials.</i></p> <p>4. Were any more investment/divestment decisions made during the August 9 board meeting?</p> <p><i>Only the items in the Agenda were acted upon. All were approved.</i></p> <p>5. I know that there was going to be some discussion regarding Alchemy, Waterland and Onex Partners' funds. Did the board decide to invest more in them or remove funds from them? If so, how much money was added/removed from each of the manager's funds? If no investment/divestment decisions were made, what did the board discuss about these funds?</p> <p><i>Alchemy was approved for up to £130 million; Waterland was approved for up to £50 million; and Onex Partners was approved for up to \$200 million.</i></p> <p>6. Why is the CIO now limited to approve secondary sales of up to \$500million a year and secondary purchases up to \$50 million in year one? What was the previous threshold?</p> <p><i>This is a Board Policy Change. Previously there was no limit to CIO authority.</i></p> <p>7. Is LACERA planning to issue any RFPs in the next four months? If so, for which portfolios/roles?</p> <p><i>Please see the attached CIO Report that discusses Ongoing as well as planned RFI's/RFP's for the Investments Division.</i></p> <p>8. There has been a lot of discussion regarding fees and how to negotiate lower fees, particularly within private equity. What were the highlights of that discussion?</p> <p><i>The Minutes of the Meeting should be available with next Month's Board Packages, any discussions that result in action items be placed on a future agenda will be noted therein.</i></p>
08-09-17	S. Sutton, Buyout Insider	<p>Requested copies of the following items listed below from the August 9, 2017 BOI meeting.</p> <p>Item VIII, C: Proposed Board of Investment Regulations</p> <p>Item IX A: Private Equity Fee Summary Report</p>

DATE RECEIVED	REQUESTER	DOCS REQUESTED
		<p>Item IX B: Private Equity Performance Report – 4th Quarter 2016</p> <p>Item IX C: Fund Performance Review as of June 30 2017</p> <p>Item IX D: Update on Private Equity Emerging Manager Program Fund-of-Funds</p> <p>Item XII A: Any and all staff/consultant reports prepared for consideration Of – Alchemy Special Opportunities Fund IV, Waterland Private Equity Fund VII, Onex Partners V</p> <p><i>Transmitted 8 documents. Sent August 17, 2017 via email the following response:</i></p> <p><i>Have attached the Board of Investments Materials in response to your record request. Please note that certain confidential and proprietary information has been redacted from the staff and consultant report. These redactions are made pursuant to Government Code §6254(k) and Evidence Code §1060 since the redacted information is a trade secret so their disclosure is expressly prohibited by state law.</i></p> <p><i>Transmitted 8 documents.</i></p> <p><i>Documents listed below were transmitted on August 17, 2017:</i></p> <ol style="list-style-type: none"> <i>1. BOI Memo dated July 27, 2017 (Redacted) re Alchemy Special Opportunities Fund IV, L.P. – Recommendation: approve a commitment of up to £100 million;</i> <i>2. BOI memo dated July 28, 2017 (Redacted) re Onex Partners V, L.P. – recommendation: approve a commitment of up to \$200 million;</i> <i>3. BOI memo dated July 27, 2017(Redacted) re Waterland Private Equity Fund VII, C.V. – Recommendation: approve a commitment of up to €50 million;</i> <i>4. BOI memo dated July 21, 2017 re Update on Private Equity Emerging Manager Program Fund-of-Funds Separate Account Manager Search;</i> <i>5. BOI dated July 28, 2017 re Private Equity Fee Summary Report – Fiscal Year 2016;</i> <i>6. BOI memo dated July 26, 2017 re Private Equity Performance Report;</i> <i>7. BOI memo dated July 31, 2017(Redlined) re Board of Investments Regulations – Recommendation: That the proposed BOI Regulations be approved by the BOI, and</i> <i>8. LACERA Investments Performance Review as of June 30, 2017.</i> <i>9.</i>
08-10-17	D. Kushner, Individual	<p>Transmitted link for agenda packet for the BOR meetings held on Thursday, August 10, 2017.</p> <p><i>Link:</i> http://www.lacera.com/about_lacera/board_retirement.html</p>
08-11-17	M. McCue, Financial News	<p>Requested agenda packet for BOI meeting held on, Wednesday, August 9, 2017.</p> <p><i>Transmitted 4 documents.</i></p>

DATE RECEIVED	REQUESTER	DOCS REQUESTED
		<p><i>Executive Office transmitted on August 14, 2017 above BOI information via email.</i></p> <p><i>Legal Office transmitted on August 15, 2017 the agenda packets for Corporate Governance, Fixed Income/Hedge Funds and Equity: Public Private Committee meetings held on August 9, 2017.</i></p>
08-14-17	S. Yang, Pitchbook	<p>Requested a copy of the quarterly public records from Q2 2017 (if available) at the partnership level of the following information shown below.</p> <ol style="list-style-type: none"> 1. Names and vintage years of all private equity, venture capital, mezzanine, distressed, real estate/REIT, debt and infrastructure partnerships in Los Angeles County Employees' Retirement Association's portfolio. 2. Commitments made to each partnership. 3. Contributions drawn down since inception. 4. Distributions made to Los Angeles County Employees' Retirement Association to date by each individual partnership. 5. Net Asset Value of each partnership. 6. Internal rates of return (IRRs) for each partnership. Please note if the IRRs are not net. 7. Investment multiple (TV/PI) for each individual partnership. 8. The dollar amount of "total management fees and costs paid" for each individual partnership. 9. Date as of which all the above data was calculated. 10. Names of all alternative asset partnerships partially and fully sold by Los Angeles County Employees' Retirement Association, including date of sale. <p><i>Response sent, via email, August 15, 2017: The LACERA reports lag the quarter end by approximately 6 months. The Q2 2017 reports should be available in December. At this time the Q4 2016 reports are the most up to date.</i></p>



August 24, 2017

TO: Each Member
Operations Oversight Committee

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

FOR: September 6, 2017 Operations Oversight Committee Meeting

SUBJECT: RETIREE HEALTHCARE MEMBER VERIFICATION AUDIT REPORT

Along with accepting and filing engagement reports from staff, the Audit Committee Charter provides that the Committee, at its discretion, may forward reports to the attention of the Boards or Committees.

At our August 16, 2017 meeting, the Audit Committee directed staff to forward the Retiree Healthcare Member Verification Audit Report to the Operations Oversight Committee for your information and attention. The recommendations in the report relate to improving operational controls over protecting the privacy of member data.

Please note that attached are two versions of the audit report. Attachment A is a clean version of the report. Attachment B includes questions and comments from the Audit Committee regarding the report and staff's responses to those questions and comments.

Staff will be available to provide an overview of the report and address questions your Committee may have regarding the report, recommendations, and/or management action plans.

RB:rb
Retiree Healthcare Member Verification Audit Report To OOC.Docx

Attachments:

A – Retiree Healthcare Member Verification Audit Report

B – Retiree Healthcare Member Verification Audit Report w/ Audit Committee Questions and Comments



LACERA INTERNAL AUDIT DIVISION

Retiree Healthcare Member Verification

June 30, 2017

Audit Performed By:

Nathan Amick

Internal Auditor

EXECUTIVE SUMMARY

Internal Audit became aware of a potential risk that Retiree Healthcare's call center staff may be giving out member personal information (PI) and/or personal health information (PHI) without properly authenticating the caller as required by LACERA policy. We determined that this was a critical risk and conducted a limited scope audit of Retiree Healthcare's call center member verification process.

LACERA has two call centers, the Member Services call center and Retiree Healthcare call center. Members can reach both using LACERA's 1-800 number. Retiree Healthcare handles healthcare questions while Member Services handles all other inquiries. Staff in the two call centers may transfer calls between each other when necessary.

LACERA created two levels of authentication for members wishing to communicate over the phone. The first level, called the Basic Verification process, is simply used to identify the member calling. The second level, called the High Risk Verification process, is designed to authenticate (i.e., provide a much higher level of assurance) that the caller is in fact the member.

The scope of our audit was limited to reviewing LACERA's policies and procedures for taking calls from members over the phone and testing calls taken by the Retiree Healthcare call center. Our audit objective was to determine whether appropriate controls exist in the Retiree Healthcare call center to ensure that the High Risk Verification process is appropriately performed prior to PI and PHI being discussed with callers over the phone.

Based on our audit and test work, we confirmed that Retiree Healthcare does not always high risk verify callers appropriately prior to providing them with PI and/or PHI.

Retiree Healthcare Management agreed with our finding and immediately developed a written procedure manual, and implemented procedures that require staff to perform the High Risk Verification process prior to discussing member's PI and/or PHI. Additional details regarding our finding and recommendations are included in the attached report.

Retiree Healthcare Member Verification

EXECUTIVE SUMMARY	2
INTRODUCTION.....	4
BACKGROUND.....	4
AUDIT OBJECTIVE(S).....	4
AUDIT SCOPE	4
AUDIT METHODOLOGY	5
AUDIT RESULTS	5
ACKNOWLEDGEMENT.....	6
NOTED AND APPROVED	6

INTRODUCTION

During our facilitation of the external Privacy Audit recommendation follow-up, Internal Audit became aware of a potential risk that Retiree Healthcare call center staff may be giving (PI) and/or personal health information (PHI) without performing the appropriate high risk member verification over the phone to authenticate that they are speaking to the actual member or an authorized person prior to providing the information. We determined that this was a critical risk and conducted a limited scope audit of Retiree Healthcare's call center member verification process.

BACKGROUND

LACERA has two call centers. The Member Services call center and the Retiree Healthcare call center, both which can be reached using LACERA's 1-800 number. Callers press "0" to reach the Member Services call center or press "1" to reach Retiree Healthcare call center. Member Services call center staff and Retiree Healthcare call center staff may transfer calls between each other when necessary.

LACERA created two levels of authentication for members wishing to communicate over the phone. The first called the Basic Verification process, is simply used to identify the member calling. Both call centers have a script they use to ask the member's name, address, date of birth and their social security number (SSN) or employee ID. This allows the call center staff to access the member's account, and without further verification to answer any general questions the member may have (i.e., general retirement plan or health plan information, or any other general LACERA information that does not require the call center staff providing answers specific to the members account).

The second level of verification, the High Risk Verification, is designed to authenticate (i.e., provide a much higher level of assurance) that the caller is in fact the member. While the High Risk Verification process is accessible in Workspace for use by both call centers, each call center has their own procedure for when to use it. The Member Services call center High Risk Verification procedure is very clear about when and how to perform the High Risk Verification. Any request by the caller for information about, or an action related to the members account, requires that staff first perform the High Risk Verification. Retiree Health Care has its own High Risk Verification procedure document, but it is less detailed and less instructional than Member Service's procedure.

AUDIT OBJECTIVE(S)

Determine whether appropriate controls exist in the Retiree Healthcare call center to ensure that the High Risk Verification process is appropriately performed when necessary.

AUDIT SCOPE

We reviewed:

- Call center operating procedures for both Member Services and Retiree Healthcare

AUDIT SCOPE *(continued)*

- Retiree Healthcare recorded phone calls - our test work population included all Retiree Healthcare recorded calls for calendar year 2016

AUDIT METHODOLOGY

We interviewed Member Services and Retiree Healthcare management and staff and reviewed their respective procedures for performing the High Risk Verification.

We performed very limited tests of calls to ascertain whether or not PI and/or PHI were provided by Retiree Healthcare call center staff to callers.

AUDIT RESULTS

According to LACERA's "Privacy and Confidentiality Policy", reasonable safeguards are to be implemented to ensure the privacy of PI and PHI. As defined in LACERA's policy, PI is any non-public information that is identifiable to an individual which includes member records. PHI is individually identifiable health information including, but not limited to, carrier health plan information (i.e., the name of the member's health plan or the member's health plan premium amounts).

We selected a sample of 18 calls received by Retiree Healthcare call center staff during the 2016 calendar year, three calls from each of the six Retiree Healthcare call center staff. We confirmed based on listening to the calls that the RHC call center does provide the callers with PI and PHI without a High Risk Verification.

While Retiree Healthcare call center staff did perform a Basic Verification for each call, the Basic Verification is designed to only identify the member so that staff could pull up the member's account, and is not intended to authenticate the member's identity. Retiree Healthcare should be performing the High risk Verification process to authenticate callers prior to disclosing PI and PHI.

We also found that Retiree Healthcare's procedures are not clear and do not specify when, and how staff should use the Basic Verification versus the High Risk Verification. In comparison, Member Services written procedures are very specific and provide instructions to staff on when and how to perform the High Risk Verification.

RECOMMENDATIONS

- 1. Retiree Healthcare Management develop and implement appropriate High Risk Verification procedures.**
- 2. The Executive Office require that appropriate authentication steps, including high risk verification, are performed consistently in all areas of the organization that accept phone calls prior to sharing members' personal identifiable and/or personal health information.**

AUDIT RESULTS *(continued)*

RETIREE HEALTHCARE MANAGEMENT RESPONSE

Retiree Healthcare Management agrees with the audit recommendation. As a result Retiree Healthcare has developed a written procedure manual for the High Risk Verification process. Retiree Healthcare call center staff have been educated and trained on the procedure manual and are now executing the required High Risk Verification process.

EXECUTIVE OFFICE MANAGEMENT RESPONSE

The Executive Office agrees with the recommendation there should be a uniform member identification and verification procedure for all staff who call members, receive calls from members, or meet personally with members. The uniform procedures will be based on the established Member Services procedures. Member Services and Quality Assurance will develop and coordinate a member identification training program for all appropriate staff. Training for staff will be completed by December 31, 2017.

ACKNOWLEDGEMENT

We would like to thank the Executive Office, Retiree Healthcare, and Member Services Division Management and Staff for their cooperation with our audit.

NOTED AND APPROVED



Richard Bendall
Chief Audit Executive

Date: June 30, 2017

REPORT DISTRIBUTION

2017 Audit Committee
Rick Wentzel
Gregg Rademacher
Internal Audit Staff

Robert Hill
JJ Popowich
Allan Cochran

Steve Rice
Cassandra Smith
Leilani Ignacio



Retiree Healthcare Member Verification

June 30, 2017

Audit Performed By:

Nathan Amick
Internal Auditor

EXECUTIVE SUMMARY

Internal Audit became aware of a potential risk that Retiree Healthcare's call center staff may be giving out member personal information (PI) and/or personal health information (PHI) without properly authenticating the caller as required by LACERA policy. We determined that this was a critical risk and conducted a limited scope audit of Retiree Healthcare's call center member verification process.

AC QUESTION: There is no discussion from Legal about whether or not this violated law and if it did what the corrective action plan might be. We need to know that Legal reviewed this.

IA RESPONSE: We met with Legal counsel and confirmed that no violation took place. We have not been notified nor are we aware any cases where we provided member data to anyone but the member.

LACERA has two call centers, the Member Services call center and Retiree Healthcare call center. Members can reach both using LACERA's 1-800 number. Retiree Healthcare handles healthcare questions while Member Services handles all other inquiries. Staff in the two call centers may transfer calls between each other when necessary.

LACERA created two levels of authentication for members wishing to communicate over the phone. The first level, called the Basic Verification process, is simply used to identify the member calling. The second level, called the High Risk Verification process, is designed to authenticate (i.e., provide a much higher level of assurance) that the caller is in fact the member.

The scope of our audit was limited to reviewing LACERA's policies and procedures for taking calls from members over the phone and testing calls taken by the Retiree Healthcare call center. Our audit objective was to determine whether appropriate controls exist in the Retiree Healthcare call center to ensure that the High Risk Verification process is appropriately performed prior to PI and PHI being discussed with callers over the phone.

Based on our audit and test work, we confirmed that Retiree Healthcare does not always high risk verify callers appropriately prior to providing them with PI and/or PHI.

AC QUESTION: You mean apply the High Risk Verification process?

IA RESPONSE: Yes. Retiree Healthcare does not always apply the High Risk Verification process prior to providing callers with PI and/or PHI.

Retiree Healthcare Management agreed with our finding and immediately developed a written procedure manual, and implemented procedures that require staff to perform the High Risk Verification process prior to discussing member's PI and/or PHI. Additional details regarding our finding and recommendations are included in the attached report.

Retiree Healthcare Member Verification

EXECUTIVE SUMMARY	2
INTRODUCTION	4
BACKGROUND	4
AUDIT OBJECTIVE(S).....	4
AUDIT SCOPE.....	5
AUDIT METHODOLOGY.....	5
AUDIT RESULTS	5

INTRODUCTION

During our facilitation of the external Privacy Audit recommendation follow-up, Internal Audit became aware of a potential risk that Retiree Healthcare call center staff may be giving (PI) and/or personal health information (PHI) without performing the appropriate high risk member verification over the phone to authenticate that they are speaking to the actual member or an authorized person prior to providing the information. We determined that this was a critical risk and conducted a limited scope audit of Retiree Healthcare's call center member verification process.

BACKGROUND

LACERA has two call centers. The Member Services call center and the Retiree Healthcare call center, both which can be reached using LACERA's 1-800 number. Callers press "0" to reach the Member Services call center or press "1" to reach Retiree Healthcare call center. Member Services call center staff and Retiree Healthcare call center staff may transfer calls between each other when necessary.

AC QUESTION: You don't state this, but I assume staff are assigned to one call center, but not both.

IA RESPONSE: Yes, staff is assigned to only one call center.

LACERA created two levels of authentication for members wishing to communicate over the phone. The first called the Basic Verification process, is simply used to identify the member calling. Both call centers have a script they use to ask the member's name, address, date of birth and their social security number (SSN) or employee ID. This allows the call center staff to access the member's account, and without further verification to answer any general questions the member may have (i.e., general retirement plan or health plan information, or any other general LACERA information that does not require the call center staff providing answers specific to the members account).

AC QUESTION: If someone does a google search on me, they will find all this information with the exception of my employee number. I don't have my ID card handy but I think the number is on its face.

IA RESPONSE: The primary use of the "basic verification" is to allow call center staff to access the members account and pull it up on their screen. Receiving just the member's name, address, date of birth and/or their social security number (SSN) or employee ID does not result in an authentication of identity.

The second level of verification, the High Risk Verification, is designed to authenticate (i.e., provide a much higher level of assurance) that the caller is in fact the member. While the High Risk Verification process is accessible in Workspace for use by both call centers, each call center has their own procedure for when to use it. The Member Services call center High Risk Verification procedure is very clear about when and how to perform the High Risk Verification. Any request by the caller for information about, or an action related to the members account, requires that staff first perform the High Risk Verification. Retiree Health Care has their own High Risk Verification procedure document, but it is less detailed and less instructional than Member Service's procedure.

AC QUESTION: I assume procedures were signed off on as "official" procedures by management, correct? Were both developed in the recent past, or one more old than the other?

IA RESPONSE: The Member Services procedure was created in 2005, but the documents change log shows 35 revisions throughout the years with the last revision on 6/8/17. RHC procedures were created in January 2017. RHC procedures were subsequently revised in May 2017.

AUDIT OBJECTIVE(S)

Determine whether appropriate controls exist in the Retiree Healthcare call center to ensure that the High Risk Verification process is appropriately performed when necessary.

AC COMMENT: There is no need to include a characterization of appropriate.

IA RESPONSE: Comment noted.

AUDIT SCOPE

We reviewed:

- Call center operating procedures for both Member Services and Retiree Healthcare
- Retiree Healthcare recorded phone calls - our test work population included all Retiree Healthcare recorded calls for calendar year 2016

AUDIT METHODOLOGY

We interviewed Member Services and Retiree Healthcare management and staff and reviewed their respective procedures for performing the High Risk Verification.

We performed very limited tests of calls to ascertain whether or not PI and/or PHI were provided by Retiree Healthcare call center staff to callers.

AUDIT RESULTS

According to LACERA's "Privacy and Confidentiality Policy", reasonable safeguards are to be implemented to ensure the privacy of PI and PHI. As defined in LACERA's policy, PI is any non-public information that is identifiable to an individual which includes member records. PHI is individually identifiable health information including, but not limited to, carrier health plan information (i.e., the name of the member's health plan or the member's health plan premium amounts).

We selected a sample of 18 calls received by Retiree Healthcare call center staff during the 2016 calendar year, three calls from each of the six Retiree Healthcare call center staff.

AC QUESTION: So staff did not apply the HRV process to all 18, or 100% of the calls tested. How many calls were included in the "Retiree Healthcare recorded phone calls" at the top of this page?

IA RESPONSE: We identified 7 calls with no issues and 11 calls with instances where Retiree Health Care staff provided unsolicited confidential information. RHC took 32,451 calls in calendar year 2016.

AC QUESTION: Are all six long-term employees? I ask because my recollection is that staff graduate into these positions from the training academy. New staff should have reviewed the procedures, noted they weren't clear or sufficient and inquired. Did none of that occur?

IA RESPONSE: Member Identification Procedures are not currently part of the Core Benefits Training. MS staff are trained on this process when they come to the MS Call Center or when they go to the Member Services Center in Outreach. QA is developing training to be included in the Core Benefits Program since the procedures are to be made applicable to the entire organization. Management will hold separate training for existing staff in Benefits, DRS, and other divisions that are serving members directly. RHC also provides training to staff on this process.

We confirmed based on listening to the calls that the RHC call center does provide the callers with PI and PHI without a High Risk Verification.

While Retiree Healthcare call center staff did perform a Basic Verification for each call, the Basic Verification is designed to only identify the member so that staff could pull up the member's account, and is not intended to authenticate the member's identity. Retiree Healthcare should be performing the High risk Verification process to authenticate callers prior to disclosing PI and PHI.

We also found that Retiree Healthcare's procedures are not clear and do not specify when, and how staff should use the Basic Verification versus the High Risk Verification. In comparison, Member Services written procedures are very specific and provide instructions to staff on when and how to perform the High Risk Verification.

RECOMMENDATIONS

- 1. Retiree Healthcare Management develop and implement appropriate High Risk Verification procedures.**
- 2. The Executive Office require that appropriate authentication steps, including high risk verification, are performed consistently in all areas of the organization that accept phone calls prior to sharing members' personal identifiable and/or personal health information**

AC QUESTION: I concur but how about an additional control which is to inform the caller, during hold periods, to expect such questions, and incorporating into the post call survey (which is done at the completion of the call, no?) whether staff asked such questions?

IA RESPONSE: Member Services Division supervisors conduct High Risk Verification audits through sampling of call monitoring. Your recommendation to incorporate additional controls into the work process is reasonable and this report could be forwarded to the Operations Oversight Committee for review and further action. Additionally, you may provide staff specific direction to include a specific area or topic on a Board or Committee agenda for discussion.

Retiree Healthcare Management Response

Retiree Healthcare Management agrees with the audit recommendation. As a result Retiree Healthcare has developed a written procedure manual for the High Risk Verification process. Retiree Healthcare call center staff have been educated and trained on the procedure manual and are now executing the required High Risk Verification process.

Executive Office Management Response

The Executive Office agrees with the recommendation there should be a uniform member identification and verification procedure for all staff who call members, receive calls from members, or meet personally with members. The uniform procedures will be based on the established Member Services procedures. Member Services and Quality Assurance will develop and coordinate a member identification training program for all appropriate staff. Training for staff will be completed by December 31, 2017.

AC QUESTION: I would suggest that this doesn't go far enough. I think we need to de-link questions from the caller's purported work experience and link the questions to a security profile that members establish on mylacera.

IA RESPONSE: Although not all members establish a security profile through mylacera, your recommendation to incorporate this de-linked security approach could improve data security for the members who do so. This report could be forwarded by the Audit Committee to the Operations Oversight Committee for review and further action. Additionally, you may provide staff specific direction to include a specific area or topic on a Board or Committee agenda for discussion.

We would like to thank the Executive Office, Retiree Healthcare, and Member Services Division Management and Staff for their cooperation with our audit.

NOTED AND APPROVED

Date: June 30, 2017

Richard Bendall
Chief Audit Executive

REPORT DISTRIBUTION

2017 Audit Committee

Rick Wentzel

Gregg Rademacher

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Steve Rice

Cassandra Smith

Leilani Ignacio

**INFORMATION ONLY**

July 24, 2017

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

FROM: Allan Cochran 
Division Manager, Member Services

FOR: September 6, 2017 Operations Oversight Committee

SUBJECT: Member Services: Escalations

EXECUTIVE SUMMARY

When a member or survivor encounters a problem that will take staff extra time and effort to resolve the issue is managed through the Member Services Escalation process. Member Services staff are empowered to find solutions to member issues, but sometimes will need to turn to a Supervisor for assistance. Most problems are resolved at the staff or Supervisory level. However, when the complexity of the issue, or the resources needed to resolve the problem, are not available the member or survivor's issue will be placed in the Escalation process.

Escalations are:

- Complex Problems
- Time Intensive
- Resolved by working with Business Partners; Benefits, Financial Accounting Services, Retiree Healthcare, Disability Retirement Services, Executive Office, and Legal.

Escalations are tracked and results communicated to the member. They are also later analyzed for the root cause of the issue to foster process improvement and limit future escalations. This disciplined process serves our members by providing them with frequent communication and quicker problem resolution while also providing LACERA with feedback on improving our operations.

DISCUSSION

Each year approximately 140,000 member interactions occur throughout the Member Services Division. These take place by telephone calls placed to the Member Services Call Center (approximately 117,000 per year)¹ or as pre-scheduled or walk-in counseling, outreach events or events held at different employer locations by the Member Services Center Staff (approximately 23,000 per year).

LACERA's Vision:

***Service* – Our members deserve the best.**

We pledge to improve our member service until 100 percent of our members making inquiries receive courteous, professional, accurate answers with just one call...²

LACERA's member centric approach benefits the members individually, and the organization as a whole. The Member Services Escalation process is one of many LACERA mechanisms resulting in issue identification and resolutions that affect positive organizational change where needed. During the fiscal year ending June 30, 2017, LACERA's 140,000 member interactions resulted in 271 escalation requests being placed with the Member Services Quality Control Unit.

¹ CEM 2016

² LACERA Vision

Escalations Background

Benefits and Member Services have always worked together to serve our members and resolve member issues. The Member Services Escalation process was implemented approximately ten years ago (in 2007) in the Call Center. At that time, supervisors were responsible for following up on member issues. However, follow-up on issues and staff responsiveness was not always ideal, mainly due to supervisor workloads and lack of a consistent, measureable method to track and follow up on the members' issues. An escalation database was designed and implemented (in 2010) to help track the escalated issues and ensure accountability. Eventually, the escalation process became too cumbersome and resource intensive to remain in the Call Center and in 2013 Escalations were moved to what became the Member Services Quality Control Unit.

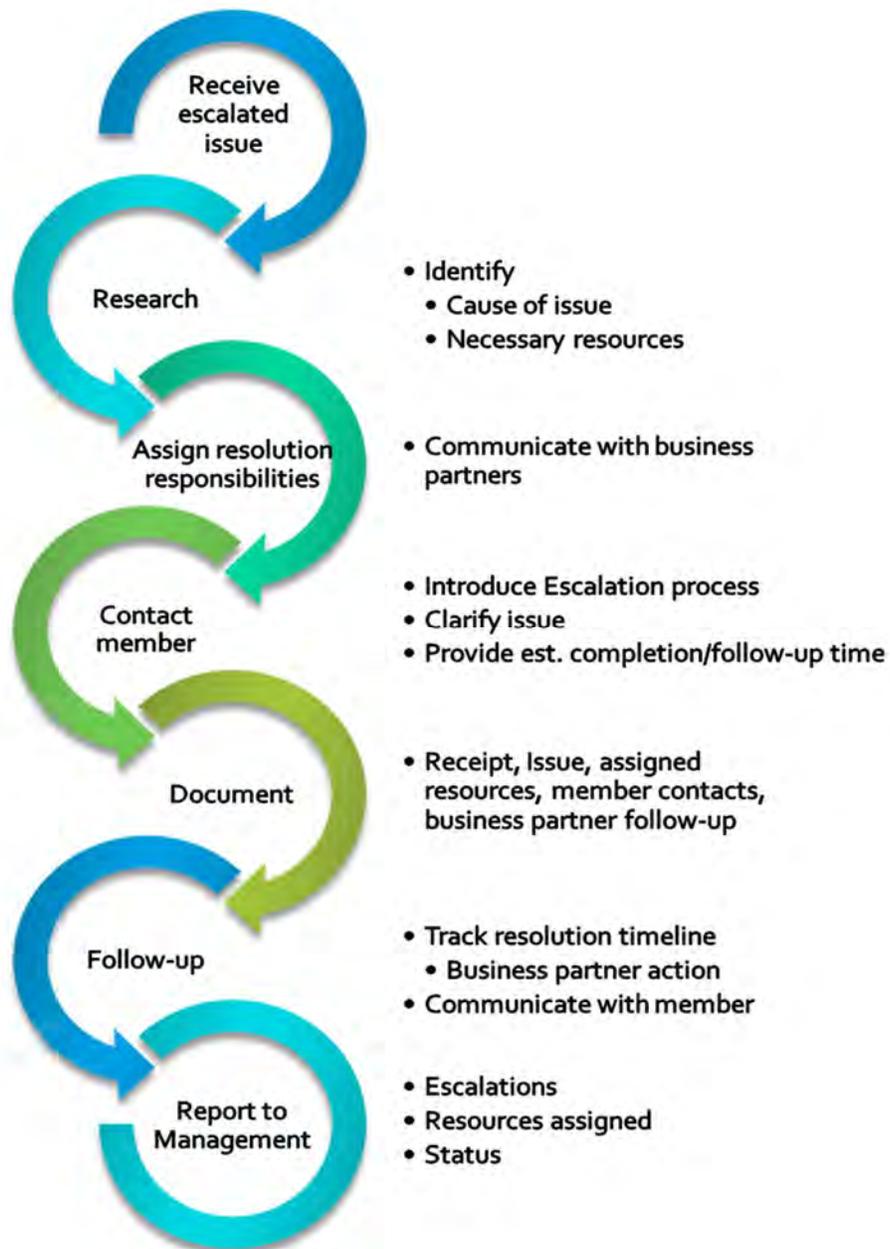
Most escalations originate in the Call Center and Member Outreach Center, as members request assistance from management, or staff identify issues beyond their ability to address; these escalations are forwarded to the area supervisors for review and handling. Issues too resource intensive for supervisors to address in a timely manner are forwarded to the Member Services Quality Control unit. Additionally, one of the Quality Control unit's responsibilities is to review incoming general correspondence to determine appropriate routing for these communications; frequently, escalation cases are identified through this correspondence review.

Member Services' Escalators research and facilitate customized solutions for each escalation, using the resources available and cooperation from our internal business partners, including: Benefits, Legal, Retiree Health Care, Disability Retirement, and the Financial and Accounting Services Division. Each escalation is researched to identify the cause of the issue, determine recommended solutions, and the appropriate unit or Division is contacted to execute the necessary resolution. Each escalation is documented and tracked by the escalators to ensure appropriate resolution steps are occurring and resolutions are reached. An escalation is never closed until the member's problem has been addressed and documented in LACERA's member contact management system (Workspace).

On the customer service side of the Escalations process, Escalators contact members to introduce the escalations process, clarify the members' issues and concerns, and give the members a specific contact point within the organization to help reduce members' frustrations. Escalators work to provide reasonable time estimates for resolution and telephone members to touch base during the escalation process, to let each member know their issue is important to LACERA and is being addressed.

Escalation Process – Member Services Quality Control

Objective – Provide excellent customer service by introducing a specific point of customer contact, to manage member expectations and ensure resolution of members' issues.



Escalations Experience - Fiscal Year Ending June 30, 2017

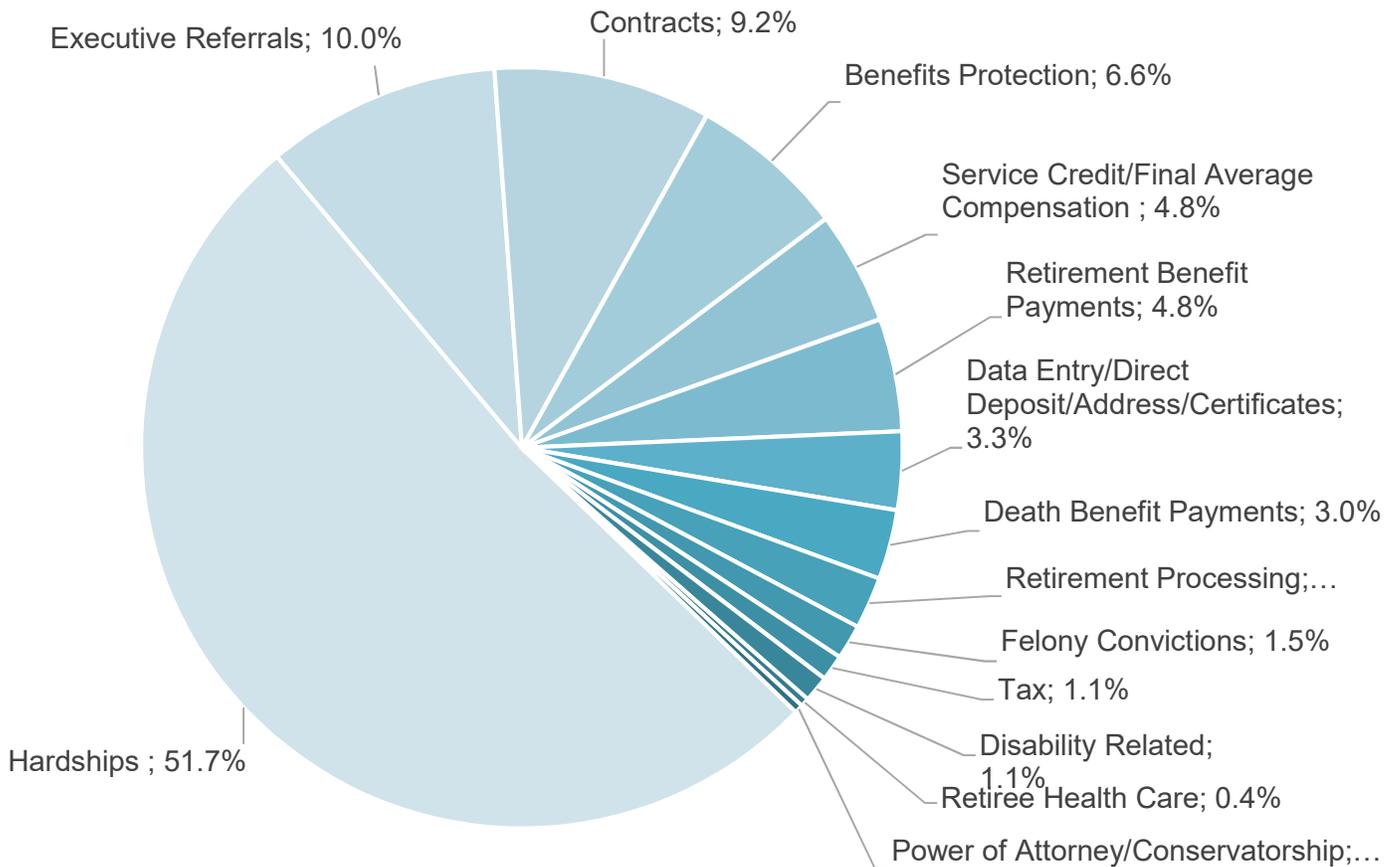
During fiscal year ending June 30, 2017, 271 escalation requests were placed with the Member Services Quality Control Unit for follow up and resolution. Those escalations have been broken down into the 14 categories below.

Escalations - FYE (June 30, 2017)	# Escalations	Days to Close (Calendar)		
		Range Minimum Maximum		Average
Hardships	140	1	63	11
Executive Referrals	27	0	188	43
Contracts	25	1	275	51
Benefits Protection	18	9	78	42
Service Credit/FAC	13	1	261	54
Retirement Benefit Payments	13	1	289	73
Data Entry/Direct Deposit/Address/Certificates	9	0	76	31
Death Benefit Payments	8	1	204	71
Retirement Processing	6	0	22	8
Felony Convictions	4	7	213	134*
Tax	3	11	32	22
Disability Related	3	20	75	41
Retiree Health Care	1	0	0	0
Power of Attorney/Conservatorship	1	26	26	26
Total Escalations: Fiscal Year 2017	271	1	289	30

* Two cases were delayed because the original reports from the County had to be revised and re-processed through the County's process before being resent to LACERA.

Escalations Volume

Three escalation categories made up 71 percent of all escalations received last fiscal year; Hardships, Executive Referrals, and Contracts, with 51.7 percent, 10 percent, and 9.2 percent, respectively.



Hardship Escalations; 51.7 Percent

One hundred and forty Hardship Escalations were received last fiscal year. A Hardship Escalation is a request from a member, survivor, attorney-in-fact, conservator, or guardian, to rush a benefit payment due to the requestor's financial hardship. A member who is facing a financial hardship, may need to receive their benefit sooner than LACERA's stated service levels.

Each Member, Operations Oversight Committee

July 24, 2016

Re: Member Services: Escalations

Page 7 of 9

MSQC reviews the documentation provided by the requestor, to ensure all required documents and information have been received by LACERA. Once it has been determined all documentation is complete, the hardship will be summarized and sent to the Member Services Division Manager for approval and forwarding to the Benefits department for priority processing. The Escalators will track the progression of the hardship through LACERA's processes and contact the requestor to provide status updates, including; whether their hardship request was approved, when their payment should be available, and to clarify how the requestor would like to receive their special check payment (counter pick-up or mailing of check).

Hardship requests may be broken down into three sub-categories; Retirement Benefit Payments, Death Benefit Payments, and Withdrawals.

	# Escalations	Days to Close (Calendar)		Average
		Minimum	Maximum	
Hardships (FYE - June 30, 2017)	140	1	63	11
Withdrawals	58	1	55	11
Death Benefit Payments	55	1	59	13
Retirement Benefit Payments	27	1	63	9

Hardship Withdrawals are submitted by members who have terminated employment and left funds on deposit. The normal processing time for a withdrawal of funds is fourteen days between June and November. However, the processing time may be as long as 90 days during "March Madness" season, from December through May. Additionally, fund withdrawals are placed on hold during an, approximate, six-week time period at the end of each June and December semi-annual interest accrual and interest posting periods to ensure the member's funds are properly credited with the interest. A Hardship Withdrawal is necessary during the withdrawal hold period. An approved hardship withdrawal may be processed as quickly as five to seven days.

Death Benefit Payment hardships are submitted by surviving spouses and beneficiaries when they are experiencing a financial hardship following the death of a LACERA member. The normal processing time for the payment of death benefit burial payments and lump sum payments varies from 30 to 90 days from the date of death notification to LACERA. The Escalators will work with survivors and the Benefits Division to ensure all documentation is provided, completed, and turned around quickly, in order to receive their due payment as quickly as possible.

Retirement Benefit Payment hardships are submitted by retirees or survivors when they failed to receive their monthly benefit payment. The non-receipt of a benefit payment may occur for various reasons; a check may become lost in the mail, a direct deposit may be returned by the receiving

institution if the account has been closed, or a payment hold may have been placed on the recipient's benefits due to multiple returned automatic deposit receipts (lost contact with benefit recipient). Lost benefit checks are usually replaced within 5 to 7 days through LACERA's normal process. LACERA's normal payment process for the removal of a pay hold or non-receipt of a direct deposit is to pay the retroactive benefit to the recipient with the next regularly scheduled monthly benefit payment. Having to wait until the following monthly payment may cause some benefit recipients a financial hardship. The Escalators work with benefit recipients to ensure all necessary hardship documentation has been received and, upon the Member Services Division Manager's approval of the hardship request, Benefits Division will process a check for the recipient.

Executive Referrals; 10 Percent

Twenty-seven Executive Referrals were received last fiscal year. An Executive Referral is a member/survivor matter referred for handling to the Member Services Division Manager by another LACERA management team member. These referrals come from LACERA Board Members, the Executive Office and other LACERA Division managers. Executive referrals may encompass any matter of issue, requiring research and a prompt solution and/or written response to the member/survivor. Some of the matters handled through the Executive Referral process during the fiscal year ending June 30, 2017 included the following topics.

- Benefit explanations
- Benefit payment disputes
- Birth/Marriage certificate issues
- COLA calculations
- Contribution payments
- Death benefits
- Plan transfers and Restorations
- Reciprocity disputes
- Service Credit disputes
- Tax issues

Contracts; 9.2 Percent

Twenty-five contract related escalations were received last fiscal year. These Contract Escalations were received by Member Services for a variety of reasons, such as; cost disputes, the standard service level of 90 days had been exceeded, disputes over service types, processing errors and/or delays, calculation corrections, and member confusion. Escalator's will research the member's account to determine the status and any issues with a member's contract, prior to notifying and working with the Benefit's Division to facilitate resolution for the member. Contract types represented in these escalations included purchases of; previous service, other public agency service, sick without pay, temporary time, redeposits, general to safety conversions, plan transfers, and underpayment contracts.

Results

Of the 140 Hardship requests received throughout FY 2016-2017, 55 were due to Death Benefit Payment issues. We observed most of these Death Benefit Payment issues were as a result of the time it takes to pay the Burial Death Benefit. The tracking mechanism of the Escalations process allowed us to make this determination. From this data, Benefits and Member Services have launched a project to make the Burial Death Benefit payment process as seamless as possible. We are reviewing and revising our procedures to get the Burial Benefit Payments completed more quickly and anticipate reporting our success next year.

Reporting

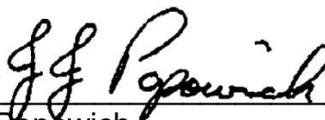
Member Services reports the number of new escalations received each month in the Staff Activity Report, provided to the Executive Office. Additionally, each week, Member Services Quality Control meets with the Member Services Division Manager and the Assistant Executive Officer who oversees the Member Services Division. During this meetings, the attendees discuss any new and ongoing escalations, as well as any barriers to completion or questions regarding the facilitation process. Escalators also regularly follow up on the status of any open escalations with the members and with the supervisors responsible for the area in which each escalated item is being addressed.

Beginning this year, Member Services will be providing an annual Escalations report to the Operations Oversight Committee of the Board of Retirement.

Future Direction

The next phase planned in the Member Services Escalations process is to increase our focus on analysis of all escalations, shorten the time to complete the escalation process, and identify the root cause of any repetitive, systemic issue. This ongoing analysis will result in process improvement discussions within Member Services and with our business partners. We will also be working with our business partners to evaluate ways to shorten LACERA processing and response times.

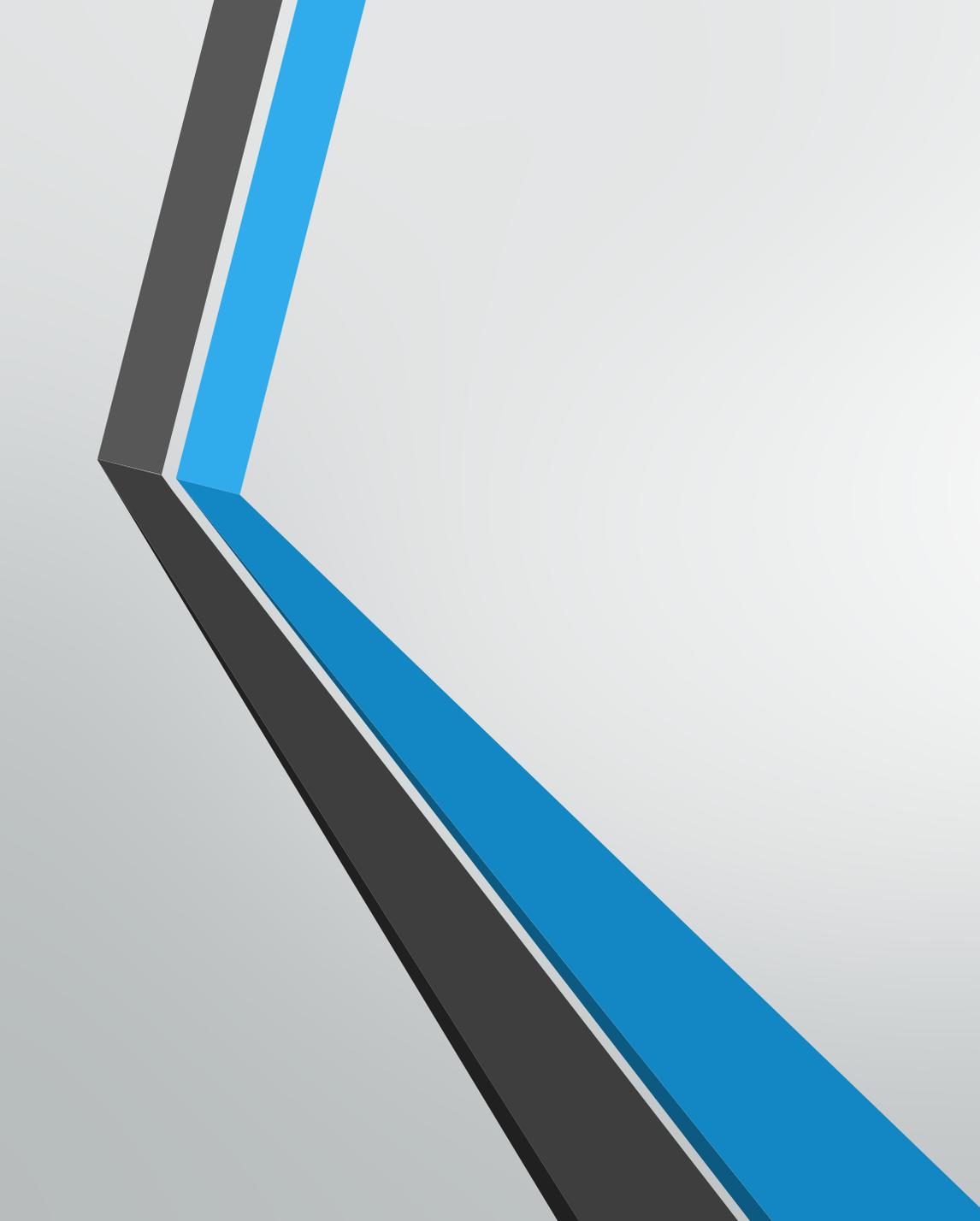
REVIEWED AND APPROVED



JJ Popowich
Assistant Executive Officer

Attachment

JJP:jjp



Member Services: Escalations

Presentation to the LACERA Operations Oversight Committee

September 6, 2017

Allan Cochran, Manager, Member Services Division

Discussion Topics

- Escalation definition
- Process background
- Current Process
- Internal business partners
- Experience - Fiscal Year End June 30, 2017
 - Volume
 - Top escalation areas
- Reporting
- Future direction

Anatomy of an Escalation

What is an Escalation?

- Issue/Problem
- Complex
- Time intense
 - Research
 - Analysis
 - Persistence

Escalations Background

- Process implementation
 - When
 - Why
- Process changes
 - Tracking database
 - Relocated from Call Center

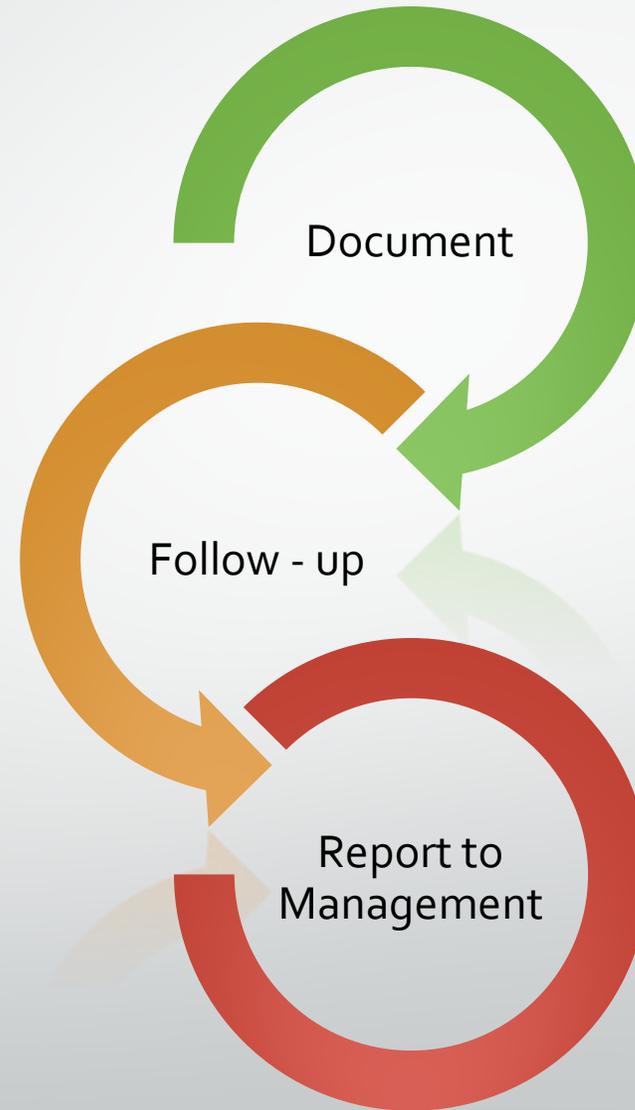
Escalation Origination

- Call Center
- Member Service Center - Outreach
- Executive Referrals
- Letters / Email

Escalation Process



Escalation Process (continued)



- Receipt, issue, resources, member contacts, follow-up

- Track resolution timeline
- Business partner action
- Communicate with member

- New escalations
- Resources assigned
- Status

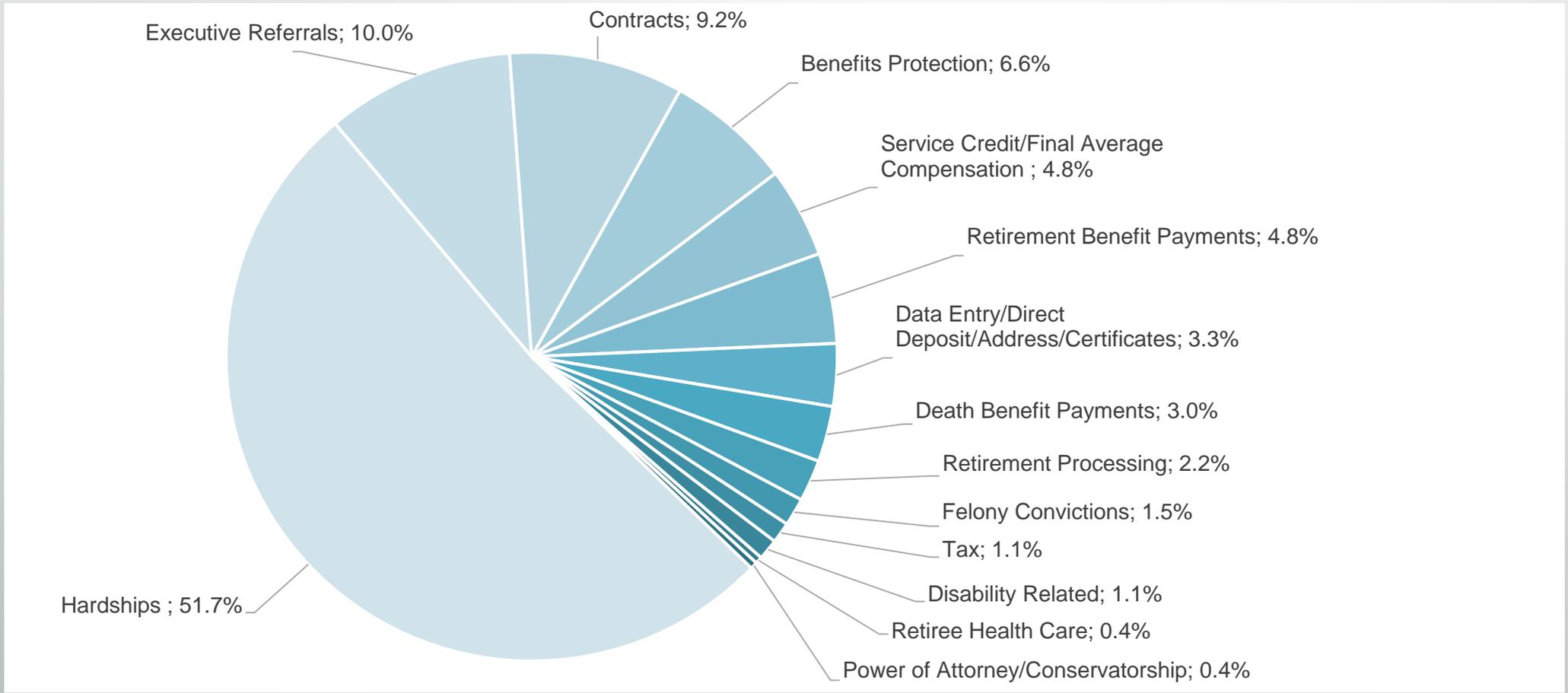
Business Partners

- Benefits
- Financial and Accounting Services
- Retiree Health Care
- Disability Retirement
- Disability Litigation
- Executive Office
- Legal

Experience (Fiscal Year Ending 2017)

Escalations - FYE (June 30, 2017)	# Escalations	Days to Close (Calendar)		Average
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Hardships	140	1	63	11
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Benefits Protection	18	9	78	42
Service Credit/Final Average Compensation	13	1	261	54
Retirement Benefit Payments	13	1	289	73
Data Entry/Direct Deposit/Address/Certificates	9	0	76	31
Death Benefit Payments	8	1	204	71
Retirement Processing	6	0	22	8
Felony Convictions	4	7	213	134
Tax	3	11	32	22
Disability Related	3	20	75	41
Retiree Health Care	1	0	0	0
Power of Attorney/Conservatorship	1	26	26	26
Total Escalations: Fiscal Year 2017	271	1	289	30

Volume (Fiscal Year End 2017)





Future Direction

- Detailed Analysis
- Formal recommendations

Questions?

