

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, FEBRUARY 7, 2018 - 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:

Marvin Adams, Chair
Thomas Walsh, Vice Chair
Alan Bernstein
William Pryor
Vivian H. Gray, Alternate

I. APPROVAL OF THE MINUTES

- A. Approval of the minutes of the special meeting of December 14, 2017
- B. Approval of the minutes of the special meeting of January 11, 2018

II. PUBLIC COMMENT

III. ACTION ITEMS

- A. Recommendation as submitted by Bernie Buenaflor, Interim Assistant Executive Officer: That the Operations Oversight Committee recommend the Board of Retirement approve the Policy on Policies, Procedures, and Charters (POPPC). (Memorandum dated January 26, 2018)
- B. Recommendation as submitted by JJ Popowich, Assistant Executive Officer: That the Operations Oversight Committee recommend the Board of Retirement approve the LACERA Incident Response Team (LIRT) Charter. (Memorandum dated January 22, 2018)
- C. Recommendation as submitted by JJ Popowich, Assistant Executive Officer: That the Operations Oversight Committee recommend the Board of Retirement approve the LACERA Secured Workplace Policy. (Memorandum dated January 22, 2018)

IV. FOR INFORMATION

- A. LACERA Operations Briefing
JJ Popowich/Bernie Buenaflor
- B. Member Death Verification Process Audit Report
Quoc Nguyen

V. REPORT ON STAFF ACTION ITEMS

VI. GOOD OF THE ORDER

(For information purposes only)

VII. ADJOURNMENT

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

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

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

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

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

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

THURSDAY, DECEMBER 14, 2017, 4:15 P.M. – 4:30 P.M.

COMMITTEE MEMBERS

PRESENT: David Muir, Alternate

ABSENT: Alan Bernstein, Chair
Anthony Bravo, Vice Chair
Joseph Kelly
Ronald Okum

ALSO ATTENDING:

BOARD MEMBERS AT LARGE

Marvin Adams
Vivian H. Gray
Shawn R. Kehoe
Keith Knox (Chief Deputy to Joseph Kelly)
Herman B. Santos

STAFF, ADVISORS, PARTICIPANTS

JJ Popowich
Bernie Buenaflor

Due to the absence of Messrs. Bernstein, Bravo, Kelly, and Okum, Board of Retirement Chair Shawn Kehoe appointed Messrs. Santos and Adams as voting members of the Committee, with Mr. Santos as Chair. Mr. Kehoe also announced that Mr. Muir, as the alternate, would be a voting member of the Committee.

The meeting was called to order by Chair Santos at 4:15 p.m.

I. APPROVAL OF THE MINUTES

A. Approval of the minutes of the special meeting of November 9, 2017

Mr. Muir made a motion, Mr. Adams seconded, to approve the minutes of the special meeting of November 9, 2017. The motion passed unanimously.

II. PUBLIC COMMENT

III. FOR INFORMATION

A. LACERA Operations Briefing
JJ Popowich/Bernie Buenaflor

Messrs. Popowich and Buenaflor 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
- Call Center Investigation

IV. REPORT ON STAFF ACTION ITEMS

There was nothing to report on for staff action items.

V. GOOD OF THE ORDER

(For information purposes only)

VI. ADJOURNMENT

The meeting adjourned at 4:30 p.m.

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

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

THURSDAY, JANUARY 11, 2018, 12:20 P.M. – 12:40 P.M.

COMMITTEE MEMBERS

PRESENT: Alan Bernstein, Chair
Joseph Kelly

ALSO ATTENDING:

BOARD MEMBERS AT LARGE

Marvin Adams
Vivian H. Gray
JP Harris
Les Robbins
Herman B. Santos
Thomas Walsh
Gina Zapanta-Murphy

STAFF, ADVISORS, PARTICIPANTS

JJ Popowich
Bernie Buenaflor
James P. Brekk
Derwin Brown

The meeting was called to order by Chair Bernstein at 12:20 p.m.

I. APPROVAL OF THE MINUTES

A. Approval of the minutes of the special meeting of November 9, 2017

Due to lack of a quorum, the approval of the minutes was postponed until the February Committee meeting.

II. PUBLIC COMMENT

III. FOR INFORMATION

A. LACERA Operations Briefing
JJ Popowich/Bernie Buenaflor

Messrs. Popowich and Buenaflor 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
- Update on Boardroom Branding
- Status of Boardroom Voting System Upgrade

B. Quality Assurance Review Fiscal Year 2016-2017
Derwin Brown

Mr. Brown gave a presentation of the Quality Audit Report, covering data for the three distinct audits performed by the QA and Metrics staff.

- In-Line Audit – to assess and identify data anomalies and calculation errors earlier on in the process of fulfilling a member's request
- Classic Audit – to assess processes by risk levels to identify those that require immediate in-depth study for improvements and determine the accuracy rate of randomly selected samples of transactions
- CORE Benefit Training Audit – to assess new-hires abilities in processing members' requests and to provide audit feedback in a safe learning environment

IV. REPORT ON STAFF ACTION ITEMS

Mr. Kelly requested a future Operations Oversight Committee agenda item regarding the posting of agendas and green folder items to the LACERA website.

January 11, 2018

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V. GOOD OF THE ORDER

(For information purposes only)


VI. ADJOURNMENT

The meeting adjourned at 12:40 p.m.

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

January 26, 2018

TO: Operations Oversight Committee
Marvin Adams, Chair
Thomas Walsh, Vice Chair
Alan Bernstein
William Pryor
Vivian H. Gray, Alternate

FROM: Bernie Buenaflor 
Interim Assistant Executive Officer

FOR: February 7, 2018 Operations Oversight Committee Meeting

SUBJECT: **Policy on Policies, Procedures, and Charters**

RECOMMENDATION

That the Operations Oversight Committee recommend the Board of Retirement approve the Policy on Policies, Procedures, and Charters (POPPC).

LEGAL AUTHORITY

As part of their plenary authority and fiduciary responsibility for administration of the system under Article XVI, Section 17 of the California Constitution, the Board of Retirement has discretion to adopt such policies as they deem prudent. The proposed POPPC is reasonably within the scope of the Boards' discretion and authority under the Constitution as a means of establishing LACERA-wide standards for the important administrative and governance function of developing policies, procedures, and charters (PPC), in that such documents provide formal guidelines for the operation of LACERA.

In LACERA's Board of Retirement Standing Committee Charters approved April 13, 2017, under Section I- Operations Oversight Committee (OOC) Charter, the OOC "advises the BOR in: the development, implementation, and review of LACERA's retirement and administrative operating policies and procedures." The POPPC is therefore a proper subject for discussion and recommendation by the OOC to the Board of Retirement.

DISCUSSION

A. Background.

The Alston & Bird (Alston) privacy audit found that LACERA's policies, while not necessarily substantively deficient, were inconsistent in their form and approach. The audit recommended that LACERA create a "staff policy committee" and that LACERA establish an "enterprise-wide policy development process." Alston suggested that

LACERA considered a “policy on policies” to create standardized policy development processes. Alston’s conclusions on this subject were publicly reported in the firm’s presentations to the Boards on October 12 and 13, 2016. LACERA management accepted this recommendation, concurring with Alston that there needs to be great interdivisional coordination in the development of policies.

In early 2017, LACERA management created an interdivisional compliance committee with responsibility for developing solutions to privacy audit recommendations, including the “policy on policies.” The committee included representatives of the Executive Office and the Administrative Services, Benefits, Communications, Internal Audit, Member Services, Legal, Human Resources, Quality Assurance, and Systems Divisions. This committee in turn formed a subcommittee to develop a draft POPPC.

Before beginning the drafting process, the POPPC subcommittee reviewed numerous sample “policies on policies” and evaluated the different approaches in light of LACERA’s unique needs as a public pension system with two Boards, the Board of Retirement, which oversees administrative matters, and the Board of Investments, which focuses on Investments. It was determined that the Board of Retirement should initiate the POPPC to facilitate the rapid development of administrative policies. Over time, more specialized standards can be developed to meet the particular needs of areas such as Investments.

The policy developed by the compliance committee and POPPC subcommittee is now presented to the OOC for review and comment, and recommendation for adoption by the Board of Retirement. The proposed POPPC approved by the compliance committee is attached as Exhibit A.

B. Summary of the Key Terms of the POPPC.

1. Purpose and Scope.

Staff determined that the “policy on policies” recommended by Alston should cover not just policies but also procedures and charters because they also provide operational guidance to the organization and have the same need for a cohesive approach. (Section 1.) “Policy” is defined to be a formal, brief, and high level statement of guidelines, rather than specific operational details (Section 4.4.1); “Procedure” is defined as a specific method to be employed to execute a policy or management intent (Section 4.4.2); and a “Charter” is defined as a document creating and defining a team or body within LACERA (Section 4.4.3).

The POPPC sets standards for all three of these documents in order to achieve (a) greater accountability, (b) required processes for preparation and management of PPC, and (c) clear documentation for how LACERA conducts business through its PPC. (Section 1.)

The POPPC must be followed by all LACERA staff, unless the Chief Executive Officer (CEO), or designee, approves an exception. (Section 3.)

2. Types of PPC.

The POPPC provides the approval process for the three types of PPC: Board PPC, which relate to matters within Board jurisdiction, and which must be approved by one or both of the Boards (Section 4.1.1); Executive PPC, which are organization-wide or cut across divisional lines, and which must be approved by the CEO (Section 4.1.2; and Divisional PPC, which relates to a single division or unit and may be approved by the Division Manager (Section 4.1.3).

3. Required Elements of PPC.

The POPPC standardizes the content of all PPC. All PPC must contain certain required formatting elements, including letterhead, headers, font size, spacing, text justification, and paragraph number style. (Section 4.2.) For the sake of clarity, there are three attachments to the POPPC which illustrate these elements as they apply to the three main categories of PPC:

1. Attachment A- Policy
2. Attachment B- Procedure
3. Attachment C- Charter

Pursuant to the POPPC attachments, each type of PPC has a required header at the top of the first page giving the title, Responsible Manager, original effective date, last update date, mandatory review date (at least every two years), and the approval level (Board, Executive, or Divisional). PPC over five (5) pages are required to have a Table of Contents. Each type of PPC must include specific sections as stated in their respective attachments, such as Purpose, Legal Authority, Scope, substantive content (which varies by type of PPC), and History.

4. Distribution, Implementation, Training, and Enforcement.

The POPPC provides that the Responsible Manager is the single point of responsibility and accountability for the essential functions of distribution, implementation, training, and enforcement. To eliminate any uncertainty as to who is performing these functions, the

Responsible Manager must be identified by name in the first page header of each individual PPC.

CONCLUSION

Staff believes that the proposed POPPC complies with the recommendation of the Alston privacy audit. Further, based on the sample survey and review performed by the compliance committee, staff drafted the POPPC to conform to best practices, given the specific needs of LACERA. Based on the foregoing discussion, Staff recommends that the OOC recommend approval of the proposed Policy on Policies, Procedures and Charters to the Board of Retirement.

IT IS THEREFORE RECOMMENDED THAT YOUR COMMITTEE:


Recommend the Board of Retirement approve the Policy on Policies, Procedures, and Charters (POPPC).

BB:sr

Attachments

c: Robert Hill	Richard Bendall	Louis Gittens
James Brekk	Derwin Brown	Michael Cordial
John Popowich	Cynthia Martinez	Jill Rawal
Steven P. Rice	Roxana Castillo	Darla Vidger
Jonathan Gabel	Roberta Van Nortrick	

REVIEWED AND APPROVED



James Brekk
Interim Deputy Chief Executive Officer



POLICY ON LACERA POLICIES, PROCEDURES, AND CHARTERS (PPCs)

Responsible Manager: James P. Brekk, Interim Deputy Chief Executive Officer

Original Effective Date:

Last Updated:

Mandatory Review: [One year after Original Effective Date]

Approval Level: Board of Retirement (BOR)

1. PURPOSE

The purpose of this Policy is to set specific standards for the creation and approval of LACERA Policies, Procedures, and Charters (PPCs) as well as standards for compliance and periodic review. This Policy serves to facilitate access to well-developed and understandable organizational PPCs.

By standardizing the creation and approval of LACERA PPCs, LACERA will benefit in several ways, including but not limited to the following: 1) Greater accountability by identifying responsible parties; 2) guidance on required processes for management and staff; and 3) clear documentation and cataloging on how LACERA conducts business.

2. LEGAL AUTHORITY

Both the Board of Investments (BOI) and the Board of Retirement (BOR) may promulgate policies, procedures, and charters as needed for the purpose of LACERA administration to further their fiduciary duty under Article XVI, Section 17 of the California Constitution, the County Employees Retirement Law of 1937 (CERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and other governing laws, regulations, and case authority.

3. SCOPE

This Policy applies to all LACERA staff, subject to the limitations set forth herein, including all full-time, part-time and contract employees of LACERA who may be responsible for creation of PPCs that must be approved by either or both of the BOI and the BOR, as well as PPCs that apply to one or more divisions.

Any exceptions to this Policy must be approved by the Chief Executive Officer. The CEO may delegate authority under this Policy to any designee at his or her discretion. For purposes of this Policy, any reference to the CEO will include such delegated authority.

4. POLICY STATEMENT

4.1 Types of Policies. LACERA PPC fall within one of three categories:

4.1.1 Board PPC. The following types of PPC shall be approved by the BOR and/or BOI:

- a. PPC which relate to a subject specified by Board Regulations or Charter.
- b. PPC which generally impact members' procedural and substantive rights, a Plan Sponsor, or the Public.
- c. PPC which relate to the Boards' fiduciary duties, Board operations, governance, and LACERA ethics.

The Board Secretary should obtain a signature on the policy upon approval.

4.1.2 Executive PPC. The following types of PPC shall be approved by the Chief Executive Officer (CEO):

- a. PPC which are administrative in nature and do not rise to the level of a Board PPC, and are organization-wide.
- b. PPC which are administrative in nature and cross some but not all divisional lines.

All approved PPC should be signed and dated by the approving CEO. Alternatively, at the discretion of the CEO, a multi-division PPC can be approved by each Division Manager whose Division is impacted.

4.1.3 Divisional PPC. Any PPC that is limited to a single division or unit and does not impact any other division or unit shall be approved at the discretion of the Division Manager or their designee.

4.2 Required Elements in All PPC. PPCs shall include the elements identified in the Policy, Procedure, and Charter templates attached to this Policy as Attachments A, B, and C. In addition, PPCs should include the following formatting:

4.2.1 LACERA letterhead on the first page;

4.2.2 On the second and following pages, a header with the PPC name, date of last update, and page number out of total pages;

EXHIBIT A
POLICY ON LACERA PPCs

[Date]

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4.2.3 Arial 12 point font;

4.2.4 Single spaced, with 12 points between paragraphs;

4.2.5 Justified text; and

4.2.6 Paragraph numbering in the style 1.1.1.a, as in this Policy, with bolded paragraph headings.

4.3 Distribution, Implementation, Training, and Enforcement.

4.3.1 The Responsible Manager will have responsibility to distribute each of their PPCs to relevant persons, take necessary steps to implement and arrange for appropriate training on their PPCs, and enforce the terms of their PPCs as appropriate.

4.4 Definitions. The following definitions clarify the differences between policies, procedures, and charters. Despite their differences, they each relate to and rely on each other. For instance, the creation of a policy may require forming a charter because a team is needed to ensure the guidelines of the policy can be met. This might in turn require a procedure to be drafted that instructs the team on how to carry out the charter.

4.4.1 Policy. A Policy is a formal, brief, and high-level statement of principles, rules, or guidelines that embraces LACERA's Mission, Vision, and Values as applied to a specific subject area. Policies communicate important, enduring governing principles and practices, rather than specifying operational details or restating laws and regulations. Further details are provided in Attachment A, Policy Elements Required.

4.4.2 Procedure. A Procedure is a specific method, or set of methods, employed to execute a specific Policy or general management intent in action in day-to-day operations of the organization. They represent an implementation of a Policy or management intent and should evolve over time as new tools emerge, new processes are designed, and the risks associated with an area changes in response to internal or external environmental changes. Further details are provided in Attachment B, Procedure Elements Required.

4.4.3 Charter. A Charter is created based on the need for a team to carry out a Policy or a Procedure or other LACERA activities. A Charter describes a team, working group, or committee's mission, membership, scope of operation, objectives, and authority, including the process by which the Committee will make decisions, resolve conflicts, and deliver expected outcomes. In some cases, the Charter itself may serve as a policy

EXHIBIT A
POLICY ON LACERA PPCs

[Date]

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because the policy is to set up a team to deal with a particular event or issue. Further details are provided in Attachment C, Charter Elements Required.

5. HISTORY

5.1 Approvals. As the scope of this Policy applies to all LACERA staff and has an organization-wide effect concerning the administrative governance of the organization, the following approvals are required.

5.1.1 Recommendation by OOC:

5.1.2 Approval by BOR:

5.2. Current Status.

5.2.1. Original Effective Date:

5.2.2. Last Updated:

5.2.3. Mandatory Review: [One year after Original Effective Date]

5.3. Versions.

5.3.1. There are no prior versions to date.

Attachments

A: Policy Elements Required

B: Procedure Elements Required

C: Charter Elements Required

POLICY ON LACERA POLICIES, PROCEDURES AND CHARTERS (PPCs)**Attachment A:** Policy Elements Required**Responsible Manager:** James P. Brekk, Interim Deputy Chief Executive Officer**Original Effective Date:****Last Updated:****Mandatory Review:** [One year after Original Effective Date]**Approval Level:** Board of Retirement (BOR)

1. POLICY ELEMENTS REQUIRED

A Policy shall include the following elements:

1.1 Header. The header shall contain the following elements:

1.1.1 Policy Name.

1.1.2 Responsible Manager's Name as well as title and/or division, as applicable.

1.1.3 Original Effective Date. The original effective date is the implementation date of the Policy and determined by the approving authority.

1.1.4 Last Updated. This is the most current revision date for the Policy.

1.1.5 Mandatory Review. The default review period for all policies created pursuant to the Policy on LACERA PPCs shall be one (1) year from the date of implementation. A Policy may specify an earlier review date based on the nature of the Policy.

1.1.6 Approval Level. The approval level will be based on whether the Policy is a Board Policy, Executive Policy, or Divisional Policy.

1.2 Table of Contents. A table of contents should not be included in any Policy that is less than five (5) pages. For any Policy five (5) pages or greater, a table of contents is mandatory.

1.3 Purpose. This section is a brief description of the philosophy and intent of the Policy. It is not meant to reference any particular member issue.

1.4 Legal Authority. This section is to state the legal authority under which the Policy is created, as well as any other laws or regulations on which the Policy is based.

1.5 Scope. This section is to clearly identify to whom the Policy is applicable and subject matter limitations.

POLICY ON LACERA PPCs

Attachment A: Policy Elements Required

[Date]

Page 2 of 2

- 1.6 Policy Statement.** This section will contain the substantive elements of the Policy. The author of the Policy may, at their discretion, create subsections within the Policy Statement as necessary.

- 1.7 History.** This section tracks the approval dates of a Policy as well as the current status, with original effective date, date last updated, mandatory review date, and version history.

POLICY ON LACERA POLICIES, PROCEDURES, AND CHARTERS (PPCs)**Attachment B:** Procedure Elements Required**Responsible Manager:** James P. Brekk, Interim Deputy Chief Executive Officer**Original Effective Date:****Last Updated:****Mandatory Review:** [One year after Original Effective Date]**Approval Level:** Board of Retirement (BOR)

1. PROCEDURE ELEMENTS REQUIRED

A Procedure shall include the following elements:

1.1 Header. The header shall contain the following elements:

1.1.1 Procedure Name.

1.1.2 Responsible Manager's Name as well as title and/or division, as applicable.

1.1.3 Original Effective Date. The original effective date is the implementation date of the Procedure and determined by the approving authority.

1.1.4 Last Updated. This is the most current revision date for the Procedure.

1.1.5 Mandatory Review. The default review period for all procedures created pursuant to the Policy on LACERA PPCs shall be one (1) year from the date of implementation. An earlier review date may be required based on the nature of the Procedure.

1.2 Table of Contents. A table of contents should not be included in any Procedure that is less than five (5) pages. For any Procedure five (5) pages or greater, a table of contents is mandatory.

1.3 Purpose. This section is a brief description of the philosophy and intent of the Procedure. It is not meant to reference any particular member issue.

1.4 Legal Authority. This section is to state the legal authority under which the Procedure is created, as well as any other laws or regulations on which the Procedure is based.

POLICY ON LACERA PPCs

Attachment B: Procedure Elements Required

[Date]

Page 2 of 2

- 1.5 Scope.** This section is to clearly identify to whom the Procedure is applicable and subject matter limitations.
- 1.6 Responsibilities.** This section provides a summary of the roles listed in the Procedure and the responsibilities of each role. The details of the responsibilities should be a brief list of the key tasks performed. This section should not be a complete summary of the Procedure.
- 1.7 Procedure.** This section is the main text of the Procedure. It details the specific steps or tasks to be performed. There should be sufficient detail, clearly expressed, to enable a trained person to perform the Procedure without supervision. There should also be sufficient detail to enable a trained person to use the document to train others to perform the task. The use of flow diagrams may be useful, especially in complex procedures.
- 1.8 Forms and Templates.** This section indicates where forms and/or templates are referenced in the text.
- 1.9 References.** This section lists all controlled internal references (e.g., other procedures) and external references referred to within the text of the Procedure only.
 - 1.9.1 Internal References.** Insert relevant references as required, sufficient for the user to find the source document.
 - 1.9.2 External References.** Insert relevant references as required, sufficient for the user to find the source document. Web references should be included where possible.
- 1.10 History.** This section tracks the approval dates of the Procedure as well as as well as the current status, with original effective date, date last updated, mandatory review date, and version history.

POLICY ON LACERA POLICIES, PROCEDURES AND CHARTERS (PPCs)**Attachment C:** Charter Elements Required**Responsible Manager:** James P. Brekk, Interim Deputy Chief Executive Officer**Original Effective Date:****Last Updated:****Mandatory Review:** [One year after Original Effective Date]**Approval Level:** Board of Retirement (BOR)

1. CHARTER ELEMENTS REQUIRED

A Charter shall include the following elements:

1.1 Header. The header shall contain the following elements:

1.1.1 Charter Name as well as the authorizing authority.

1.1.2 Responsible Manager's Name as well as title and/or division, as applicable.

1.1.3 Original Effective Date. The original effective date is the implementation date of the Charter and determined by the approving authority.

1.1.4 Last Updated. This is the most current revision date for the Charter.

1.1.5 Mandatory Review. The default review period for all charters created pursuant to the Policy on LACERA PPCs shall be one (1) year from the date of implementation. An earlier review date may be required based on the nature of the Charter.

1.2 Table of Contents. A table of contents should not be included in any Charter that is less than five (5) pages. For any Charter five (5) pages or greater, a table of contents is mandatory.

1.3 Purpose. This section is a brief description of the overall charge, purpose, of focus of the body in service to LACERA.

1.4 Legal Authority. This section is to state the legal authority under which the Charter was created, as well as any other laws or regulations on which the Charter is based.

1.5 Responsibilities. This section states the powers, duties, and responsibilities of the body, including relative to powers reserved to other LACERA bodies.

POLICY ON LACERA PPCs

Attachment C: Charter Elements Required

[Date]

Page 2 of 2

- 1.6 Rules.** This section identifies how decisions will be made effective within the body as well as the requirements for meetings, minutes, recommendations, and reports. The author of the Charter may, at their discretion, create subsections in this section as necessary.
- 1.7 Membership.** This section identifies the Committee composition and duration of service.
- 1.8 Resources and Budget.** This section identifies the budget source, budget approval process, as well as any designated staff and Executive support designated to the body.
- 1.9 History.** This section tracks the approval dates of the Charter as well as the current status, with original effective date, date last updated, mandatory review date, and version history.



January 22, 2018

TO: Operations Oversight Committee
Marvin Adams, Chair
Thomas Walsh, Vice Chair
Alan Bernstein
William Pryor
Vivian H. Gray, Alternate

FROM: JJ Popowich 
Assistant Executive Officer

FOR: February 7, 2018 Operations Oversight Committee Meeting

SUBJECT: **LACERA Incident Response Team Charter**

RECOMMENDATION:

That the Operations Oversight Committee recommend the Board of Retirement approve the LACERA Incident Response Team (LIRT) Charter.

EXECUTIVE SUMMARY:

An Incident Response Team (IRT) is a defined group of individuals within an organization who are prepared to respond to incidents that may impact LACERA. The IRT concept is commonly used in emergency situations such as natural disasters. The same concept can apply to any incident which can have an emergent impact on operations of a business. These impacts may range from disruptions in the normal business operations (such as you may see in a natural disaster) to threats posed by a privacy incident or breach. The key is, the assembled team have the ability and authority to evaluate the situation, determine the best course of action, enact that action, and make adjustments and decisions necessary throughout the course of the incident.

LACERA has long had an informal IRT that is assembled as needed. This LIRT Charter formalizes the structure and duties of the team and sets expectations for reporting to the Boards in event of an incident. A copy of the proposed charter is attached.

This LIRT Charter also satisfies several audit recommendations made by the Alston & Bird (Alston) privacy audit.

AUTHORITY:

As part of their plenary authority and fiduciary responsibility for administration of the system under Article XVI, Section 17 of the California Constitution, the Boards have discretion to adopt such policies as they deem prudent. The proposed LACERA Incident Response Team Charter is reasonably within the scope of the Boards' discretion and authority under the Constitution as a means of establishing LACERA-wide standards for the important administrative and governance function of responding to emergent threats that could impact LACERA operations.

In LACERA's Board of Retirement Standing Committee Charters approved April 13, 2017, under Section I- Operations Oversight Committee (OOC) Charter, the OOC "advises the BOR in: the development, implementation, and review of LACERA's retirement and administrative operating policies and procedures." The LACERA Incident Response Team Charter is therefore a proper subject for discussion and recommendation by the OOC to the Board of Retirement.

DISCUSSION:

The Incident Response Team (IRT) concept has been in use at LACERA since the early 2000's. As events dictated, groups of staff and the management team would be convened to address specific events that occurred. These events ranged anywhere from power outages that required a determination whether staff could work or would need to be sent home to actual privacy incidents. However, the team was never formalized and did not have any specific structure or defined responsibilities.

The Alston & Bird (Alston) privacy audit acknowledged LACERA had already developed an informal IRT, but made several recommendations regarding creating a defined team with specific responsibilities. Alston indicated, and management agreed, that a formal IRT would ensure that LACERA had a mechanism in place to quickly respond to incidents in a manner that is consistent with federal and state regulations and industry best practices.

Development of the Charter

In early 2017, LACERA management created an interdivisional compliance committee with responsibility for developing solutions to privacy audit recommendations, including the “incident response team.” The committee included representatives of the Executive Office and the Administrative Services, Benefits, Communications, Internal Audit, Member Services, Legal, Human Resources, Quality Assurance, and Systems Divisions. This committee in turn assigned specific team members to focus on various Alston recommendations. Committee members were then assigned a finding or groups of findings from the Alston audit to research and develop draft policies, or as in this case, charters, for the entire committee to review, discuss, and revise. The final draft charter was then approved by the entire compliance committee.

The initial scope of the charter was designed to be a response to the Alston audit findings for the privacy audit. In developing the charter, we took into consideration federal and state requirements, as well as best practices from public sector organizations such as the University of California system, as well as private sector company response plans for privacy or data breaches. However, the compliance committee recognized the application of the IRT concept is much broader in scope than just a privacy related incident. Therefore, the LIRT was revised to apply to any incident that impacts or poses a threat to employees, resources, operations, or member data.

Overview of the Charter

The LIRT Charter creates a standing team that consists of representatives from the Executive Office, the Chief Information Security Officer, Chief Privacy Officer (when hired), Chief Internal Auditor, Chief Legal Counsel, and the Director of Human Resources. The charter also allows for this team to appoint additional team members with specific expertise to an individual incident response.

The primary responsibilities of the LIRT are to define the incident, and develop and oversee a response to resolving the incident in the most beneficial manner for LACERA and its members. These responsibilities include development and oversight of communications to the Boards, members, and other stakeholders as necessary.

While the primary task is responding and resolving the incident, the Charter also requires the LIRT to:

- Develop and implement appropriate training for all LACERA staff to understand the importance of reporting incidents immediately and how to report those incidents.
- Conduct a post incident response review in order to learn from the incident and develop recommendations for management to consider regarding how to prevent an incident or more efficiently respond to an incident and limit the impacts to LACERA.
- Maintain a database or log of events
- Conduct annual simulation exercises
- Preserve any evidence discovered during the investigation and response to the incident.
- Report out to the Boards and/or their Committees on incidents and the responses to the incidents.

The LIRT team may also create a series of procedural manuals to provide more in-depth instructions on how these responsibilities will be met. The first manual to be approved by the team will be the Privacy Incident Response Manual. This manual includes a defined reporting process for staff to report incidents to the LIRT, step by step actions to take once a report or discovery of a problem occurs, guidance on how and when to communicate to the Boards and members, as well as how to log incidents and the responses of the incident.

CONCLUSION:

Staff believes the LIRT Charter will improve LACERA's ability to react quickly and appropriately to any perceived threat or compromise of our employees, resources, operations, and or member data. The LIRT Charter establishes a framework for a standing team of staff and management who can react quickly and nimbly when needed. At the same time, it ensures we have a methodology for ensuring that we learn from each event and take appropriate steps to prevent or minimize any future impacts from similar

events. Finally, it ensures the Boards have proper visibility and oversight into events by mandating reporting to the Boards.

IT IS THEREFORE RECOMMENDED THAT YOUR COMMITTEE:

Recommend the Board of Retirement approve the LACERA Incident Response Team (LIRT) Charter.

JJ:jj

Attachment

c: Robert Hill
James Brekk
John Popowich
Bernie Buenaflor
Jonathan Gabel
Steven P. Rice
Richard Bendall
Derwin Brown
Cynthia Martinez
Roxana Castillo
Roberta Van Nortrick
Louis Gittens
Michael Cordial
Jill Rawal
Darla Vidger

REVIEWED AND APPROVED

A handwritten signature in black ink, appearing to read 'James Brekk', written over a horizontal line.

James Brekk
Interim Deputy Chief Executive Officer

LACERA INCIDENT RESPONSE TEAM CHARTER

Responsible Manager: James P. Brekk, Interim Deputy Chief Executive Officer

Original Effective Date: TBD

Last Updated: January 22, 2018

Mandatory Review: TBD (Annually)

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1. PURPOSE

The purpose of this Charter is to establish a LACERA Incident Response Team (LIRT) and specific protocols and responsibilities for ensuring LACERA takes timely appropriate actions to protect employees, resources, operations, and member data from any compromise or threat.

2. LEGAL AUTHORITY

Both the Board of Investments (BOI) and the Board of Retirement (BOR) may promulgate Policies as needed for the purpose of LACERA administration to further their fiduciary duty under Article XVI, Section 17 of the California Constitution, the County Employees Retirement Law of 1937 (CERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and other governing laws, regulations and case authority.

The Incident Response Team has the authority to conduct investigations in all areas of operations in LACERA. All LACERA Staff and vendors are required to cooperate with the Incident Response Team during the conduct of its investigations and execution of its response plans.

3. MEMBERSHIP

The LIRT shall consist of the following standing team members:

- Executive Office Representative(s)
- Chief Information Security Officer (CISO)
- Chief Privacy Officer (CPO)

INCIDENT RESPONSE TEAM CHARTER

January 22, 2018

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- Chief Internal Auditor
- Chief Legal Counsel
- Director of Human Resources

Standing members may appoint a designee to attend in their absence. Members of the LIRT must be free of any conflict of interest with respect to the matter being addressed by the LIRT.

Additionally, the Incident Response Team may appoint other LACERA staff, or consultants to serve on the team based on the needs of the particular incident.

4. PROCEDURAL RULES

4.1 Primary Responsibilities. The LIRT is responsible for:

- Defining the nature of a given incident and determining the significance of the event.
- Gathering appropriate data in order to understand the scope and breadth of an incident.
- Classifying an incident by type.
- Preserving any relevant evidence or examples.
- Maintaining a log of all incidents and response taken.
- Ensuring appropriate communication to the Board and other stakeholders as appropriate or required.

Developing an appropriate communication plan for members and/or staff as needed

- Developing a post-incident report including recommendations to prevent future incidents.
- Conduct annual drills to ensure the readiness of the team and to improve efficiency of the team's operations.

Ensuring an appropriate organization wide education program is in place to ensure staff understand the appropriate steps to take to report any incident.

4.2 Leadership. The LIRT shall select one member to be the team Chair, to act as the spokesperson, arrange non-event meetings as needed, and interact with other divisions to ensure the organization has a proper understanding of the LIRT's function and appropriate reporting procedures.

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The team may appoint any team member, to serve as the Incident Response Commander for any single incident. The IRC will then become the primary point of contact for the team and other stakeholders.

4.3 Preservation of Evidence. The LIRT shall take all necessary steps to preserve any evidence that is discovered during the response. This is especially critical if there is any type of criminal activity suspected. However, preservation of evidence should not supersede the appropriate response to protect staff, operations, resources, or data from immediate loss or harm.

4.4 Communication. The LIRT shall draft an incident communication plan that outlines how communication will be conducted between the team members, appropriate LACERA staff, external partners, and member's if needed. In some instances, the LIRT may determine that LACERA's internal communication systems have been compromised and may need to communicate via other avenues. Any communication plan shall take into consideration the needs of member communication through the Call Centers and Member Services Center, and/or third party public relations firms.

4.5 Post Incident Response. The LIRT shall conduct a Post Incident Response Review. There are two components to this review:

4.5.1 Incident Review. The LIRT will conduct a review of the data collected from the incident, the root cause analysis, any forensic information, and the remediation steps taken for the incident and determine if everything has been completed according to the Incident Response Policy. Included in this review will be an assessment of new policies, procedures, or safeguards required to prevent or reduce the risk of similar incidents in the future. Finally, the review will ensure that all regulatory compliance has occurred.

4.5.2 LIRT Performance. The LIRT must conduct a self-evaluation of the team's response including, but not limited to:

- Speed of response
- Compliance with this policy
- Quality of service to members in light of the incident
- Discuss and determine if any adjustments to the LIRT procedures are required and/or changes to the Incident Response Policy are necessary.
- Did the team and staff follow LACERA's Values

The post incident response review may be conducted over a period of time. It may also be delegated to an ad-hoc committee of technical and organizational efforts as long as the LIRT establishes a plan for following up on the delegation

INCIDENT RESPONSE TEAM CHARTER

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of authority, sets specific milestones, and/or completion dates, and meets to review the final report of the ad-hoc committee and verify the actions taken were sufficient to comply with this policy and mitigate or prevent future incidents.

It is understood these reviews may take some time to complete. However, ultimately it is the LIRT responsibility to ensure they are completed in a timely manner.

4.6 Post Incident Response Reporting. LACERA has a duty to keep our Boards informed of important and impactful events that occur within LACERA.

4.6.1 Post-Incident Response Report. The LIRT will complete Post-Incident Response Report for all significant events consisting of the following:

- **Occurrence Status.** This is a short breakdown of the severity and status of the incident.
- **Summary & Background.** This section explains what occurred and provides the reader with enough background to understand the occurrence and impacts.
- **Remediation Actions.** These are the steps taken to mitigate or correct any damage.
- **Next Steps.** These are the steps LACERA will take to prevent any future occurrences.

4.7 Mandatory Reporting to Impacted Members, Survivors, Beneficiaries, or Other Individuals. The LIRT will determine whether LACERA should make best efforts to notify individuals whose personally identifiable information might have been at risk due to an incident. In making this determination, the following factors shall be considered:

- Legal duty to notify
- Length of compromise
- Human involvement
- Sensitivity of compromised data
- Existence of evidence that data were compromised
- Existence of evidence that affected systems were compromised for reasons other than accessing and acquiring data

4.8 Annual Simulation Exercise. The LIRT will hold at least one annual training exercise where the team and organization will respond to a simulated event. This exercise is designed to assess the readiness of the organization to respond to a real event. The exercise may be conducted in line with other business continuity or stress testing and should be overseen and/or developed in conjunction with the Privacy Officer (or Compliance Officer) and Internal Audit.

INCIDENT RESPONSE TEAM CHARTER

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4.9 Resources and Budget. The LIRT shall work with the Administrative Services Division's Health & Safety Unit to include funding as part of the annual LACERA budget. In terms of additional resources, the LIRT may also include the following representatives as needed:

- Division Manager of the division where the event occurred (if applicable)
- Division Manager of Member Services (if the incident impacts members)
- Any other staff member the LIRT deems necessary to respond to the incident
- Any consultant (such as forensic, legal, privacy, or technical expert)
- Law enforcement personnel

4.10 Definitions. The LIRT should review, assess, and respond to the incident for which it was formed, according to the following factors:

4.9.1 Incident: An incident is any actual, threatened, or suspected disruption in the workplace. They may be actions or threats against or by an individual, observed environmental hazards, suspicious circumstances, compromised privacy or data

4.9.2 Safety. If an incident affects human life or safety, responding in an appropriate, rapid fashion is the most important priority.

4.9.3 Urgent concerns. Divisions may have urgent concerns about the availability or integrity of critical systems or data that must be addressed promptly. Appropriate Systems staff shall be available for consultation in such cases.

4.9.4 Scope. This is the extent of a given incident's affect. The LIRT serves to promptly establish the scope of an incident and to identify the extent of systems, data or persons affected.

4.9.5 Containment. After life and safety issues have been resolved, the LIRT identifies and implements actions to mitigate the spread of an incident and its consequences.

4.9.6 Preservation of evidence. This is the process of seizing specific property, data, or documents without altering or changing it. In the preservation of evidence, the LIRT promptly develops a plan to identify and implement steps for the preservation of evidence.

4.9.7 Investigation. The LIRT is responsible to investigate the causes and circumstances of an incident, and determine future preventative actions

4.9.8 Significant Event: This is any event in which a member, survivor, or beneficiary requires a mandatory privacy notification, or any event that poses significant media, monetary or regulatory impact to LACERA.

INCIDENT RESPONSE TEAM CHARTER

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4.9.9 Incident-specific risk mitigation. The LIRT identifies and recommends strategies to mitigate the risk of harm arising from this incident.

5. HISTORY

5.1 Approvals. As the scope of this Charter applies to all LACERA staff and has an organization-wide effect, the following approval is required.

5.1.1 Approved by JOGC:

5.2 Current Status.

5.2.1 Original Effective Date: November 30, 2017

5.2.2 Mandatory Review: November 30, 2018

5.3 Versions.

5.3.1 There are no prior versions to date.



January 22, 2018

TO: Operations Oversight Committee
Marvin Adams, Chair
Thomas Walsh, Vice Chair
Alan Bernstein
William Pryor
Vivian H. Gray, Alternate

FROM: JJ Popowich 
Assistant Executive Officer

FOR: February 7, 2018 Operations Oversight Committee Meeting

SUBJECT: **Secured Workplace Policy**

RECOMMENDATION:

That the Operations Oversight Committee recommend the Board of Retirement approve the LACERA Secured Workplace Policy.

EXECUTIVE SUMMARY:

LACERA has a long history of taking proactive steps to protect private and sensitive information pertaining to LACERA members and their survivors. For example, access to our offices are controlled by key card and the individuals need to have access to specific areas within LACERA.

The Alston & Bird (Alston) privacy audit acknowledged that LACERA's policies and procedures demonstrate a culture of security and privacy. However, like all good audits the Alston privacy audit identified several areas where LACERA could take further steps to protect the security of member and sensitive information. Alston made eight (8) specific recommendations that can generally be combined under the general heading of a Secured Workplace, with many of the recommendations suggesting LACERA implement a "clean desk" policy.

This Secured Workplace policy satisfies these audit recommendations made by the Alston & Bird (Alston) privacy audit.

AUTHORITY:

As part of their plenary authority and fiduciary responsibility for administration of the system under Article XVI, Section 17 of the California Constitution, the Boards have discretion to adopt such policies as they deem prudent. The proposed LACERA Secured Workplace Policy is reasonably within the scope of the Boards' discretion and authority under the Constitution as a means of establishing LACERA-wide standards for the important administrative and governance function of protecting member data as well as, other sensitive operational data.

In LACERA's Board of Retirement Standing Committee Charters approved April 13, 2017, under Section I- Operations Oversight Committee (OOC) Charter, the OOC "advises the BOR in: the development, implementation, and review of LACERA's retirement and administrative operating policies and procedures." The Secure Workplace Policy is therefore a proper subject for discussion and recommendation by the OOC to the Board of Retirement.

This Policy fulfils LACERA's fiduciary responsibility to all of its members. In addition, LACERA wishes to be in complete compliance with various Federal and State laws, including, but not limited to, the Health Insurance Portability and Accountability Act (HIPAA), County Employees Retirement Law of 1937 (CERL), and Federal and State Privacy and Data Breach laws.

DISCUSSION:

The Alston audit identified eight (8) recommendations that call for further restriction of access to member and sensitive data. The audit acknowledged LACERA has a privacy focused culture and that we had taken many steps to ensure the protection of sensitive data including aforementioned restricted access to office suites. However, the audit indicated that additional steps were necessary and recommended the creation of a "clean desk" policy.

The audit found that while LACERA has taken steps to secure access to our office suites, once access is gained an individual may have access to private or sensitive information that may be processed within the suites. During the normal work hours, it is unlikely that someone would be able to gain access to data, but after work hours someone gaining

access to these suites may be able to access private or sensitive data.

Development of the Charter

In early 2017, LACERA management created an interdivisional compliance committee with responsibility for developing solutions to privacy audit recommendations, including the “clean desk” policy. The committee included representatives of the Executive Office and the Administrative Services, Benefits, Communications, Internal Audit, Member Services, Legal, Human Resources, Quality Assurance, and Systems Divisions. This committee in turn assigned specific team members to focus on various Alston recommendations. Committee members were then assigned a finding or groups of findings from the Alston audit to research and develop draft policies for the entire committee to review, discuss, and revise. The final draft policy was then approved by the entire compliance committee.

Staff conducted a review of private and public sector “clean desk” policies. Staff’s review indicated a wide range of policies that ranged from a bare desk to only removing sensitive information. The LACERA compliance committee determined that a Secured Workplace Policy that covered all office and storage locations would better meet LACERA’s needs and best meet Alston’s recommendations. The Secured Workplace Policy not only satisfies the Privacy Audit Recommendations, but it also establishes LACERA’s minimum requirements and sets parameters for securing all sensitive and confidential information under its physical control.

Overview of Policy

The proposed Secured Workplace policy provides a minimum set of requirements to secure member and sensitive data in the workplace. It reinforces the current training provided to staff that makes them responsible for ensuring data is secure while in their possession within the workplace. The policy provides expectations that staff should be regularly managing data that may be printed on communal printers or left in fax machines. It also sets expectations for the appropriate storage of data in a secure location when not in use.

Securing information relies on staff adhering to policies. This Policy also defines who is responsible for training and oversight of the enforcement of the policy. It clearly defines expected actions in the event of non-compliance.

The Policy was also designed with the understanding that the implementation of a Secured Workplace policy may take some time and in some cases may require the implementation of new technology or renovations to work areas to provide additional secure storage. The Policy allows for the Privacy Officer to work with division management to develop a specific action plan to bring any area not in compliance into compliance.

CONCLUSION:

We anticipate the Secured Workplace Policy will be the foundation for detailed procedures developed throughout LACERA to reliably protect members' private information while addressing a variety of workplace conditions and operating requirements.

IT IS THEREFORE RECOMMENDED THAT YOUR COMMITTEE:

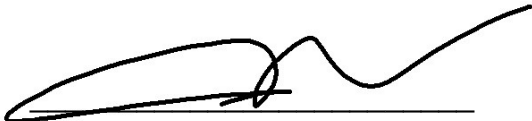
Recommend the Board of Retirement approve the LACERA Secured Workplace Policy.

JJ:mc

Attachment(s)

c: Robert Hill	Steven P. Rice	Roberta Van Nortrick
James Brekk	Richard Bendall	Louis Gittens
John Popowich	Derwin Brown	Michael Cordial
Bernie Buenaflor	Cynthia Martinez	Jill Rawal
Jonathan Gabel	Roxana Castillo	Darla Vidger

REVIEWED AND APPROVED



James Brekk
Interim Deputy Chief Executive Officer



SECURED WORKPLACE POLICY

Responsible Manager: LACERA's Privacy Officer

Original Effective Date: TBD

Last Updated: November 30, 2017

Mandatory Review: TBD (Biennially)

Approval Level: Board of Retirement (BOR)

1 PURPOSE

The purpose of the Secured Workplace Policy ("Policy") is to establish LACERA's minimum requirements and parameters for securing sensitive and confidential information under its physical control.

The goals of this policy are to:

- Mitigate potential security breaches; and
- Create employee awareness about the importance of securing sensitive and confidential information such as Protected Health Information (PHI) and Personal Identifiable Information (PII).

2 LEGAL AUTHORITY

This Policy is created as part of LACERA's fiduciary responsibility to all of its members. Also, LACERA is obligated to secure all sensitive and confidential personal information and medical information of members and staff under various Federal and State laws, including but not limited to:

- The Health Insurance Portability and Accountability Act (HIPAA), as a plan sponsor,
- County Employees Retirement Law of 1937 (CERL)
- Federal and State Privacy and Data Breach laws

3 SCOPE

The term "secured workplace" refers to any physical location where sensitive and/or confidential information is handled or stored by LACERA's employees, temporary agency staff, board members, and contractors (authorized individuals). These physical locations include, but are not limited to, cubicles, offices, work areas, shelves and storage areas, and other LACERA office locations.

SECURED WORKPLACE POLICY

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4 POLICY STATEMENT

4.1 Protection of Sensitive and/or Confidential Information

At all times, sensitive and confidential information is to be protected from misuse, loss, unauthorized access, unintended modification, disclosure, and/or removal.

When in use, such materials are to remain in the exclusive possession and control of authorized individuals and used only for the originally intended and authorized use. Reasonable security measures must be followed, such as keeping these materials in a secured location and protected from unauthorized examination or access. Sensitive documents should not be left unattended on printers, fax machines, or copiers or any other areas where they might be accessible to other parties.

When not in use, confidential and sensitive documents should be stored in a secured storage space. This includes a locked drawer, cabinet, or specific room such as an office, storage room, or records room.

Only authorized and accountable individuals should control the access to secured work and storage spaces.

Any known or suspected violation of this policy should be reported to management immediately, and appropriate steps should be taken to correct or mitigate any negative impact.

4.2 Enforcement and Consequences of Noncompliance

4.2.1 The Privacy Officer is responsible for:

- a. Enforcing the provisions of the Secured Workplace Policy and ensuring that all divisions comply with it;
- b. Notifying management of any new local or national-level regulations that apply to the Policy;
- c. Periodic monitoring and auditing of the Policy;
- d. Providing management and staff with any guidance on the Policy, including defining reasonable security measures; and
- e. Investigating possible violations of the Policy and advising on any corrective actions when necessary.

4.2.2 Each Division Manager is responsible (subject to the Privacy Officer's concurrence) for:

SECURED WORKPLACE POLICY

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- a. Developing division procedures that ensure the Secured Workplace Policy is properly managed and adhered to within the division;
- b. Ensuring that employees are properly trained on divisional procedures;
- c. Providing staff with the tools they need to keep their workspaces secure. For example, ensuring that all desks have lockable drawers, or provide lockable storage areas so employees can lock up printed documents that may contain confidential data;
- d. Enforcing compliance with the Secured Workplace Policy, including imposing appropriate consequences for policy non-compliance. Examples of enforcement measures include, but are not limited to, periodic inspections and appointing one or more employees to monitor office areas.

4.2.3 If a division is not in full compliance with LACERA's Secured Workplace Policy, the Division Manager will prepare a Secured Workplace Compliance Plan, subject to the approval of LACERA's Privacy Officer. This plan lays out remediation steps and an estimated date of completion. Steps listed should include immediate mitigation measures that are to be implemented until permanent security measures are established.

4.2.4 Any employee found to be in noncompliance with the Policy or an approved Secured Workplace Compliance Plan will be subject to disciplinary action, up to and including termination of employment, depending on the severity of the incident.

The following serve as examples of possible violations:

- a. Keys and lock combinations are accessible by unauthorized parties;
- b. Sensitive documents are left unattended in plain sight;
- c. LACERA-issued equipment such as key cards, ID badges, tablets, phones, or removable hard drives are not secured; and
- d. Sensitive documents are left unattended on equipment, such as printers, fax machines, or copiers.

SECURED WORKPLACE POLICY

November 30, 2017

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4.3 Definitions

- 4.3.1 **Authorized and Accountable Individuals:** LACERA employees, temporary agency staff who have been approved to access specific data types, board members, and contractors (with the exception of maintenance and cleaning contractors, whether employed by LACERA or the Office of the Building)
- 4.3.2 **HIPAA:** Health Insurance Portability and Accountability Act, a 1996 Federal law that restricts access to individuals' private medical information
- 4.3.3 **Secured Work Space:** Work space that can be locked to prohibit entry
- 4.3.4 **Unsecured Work Space:** An open work space that cannot be locked to prohibit entry
- 4.3.5 **Secured Storage Space:** Storage that can be locked to prohibit entry
- 4.3.6 **Unsecured Storage Space:** Storage space that cannot be locked to prohibit entry
- 4.3.7 **Security:** Protecting information from unauthorized disclosure or intelligible interception
- 4.3.8 **Reasonable Security Measures:** Security tools and practices established by a Division Manager or above, and approved by LACERA's Privacy Officer, based on a careful consideration of costs, risks, and benefits
- 4.3.9 **Sensitive and Confidential Information:** Includes but not limited to all LACERA-related data, storage media in any format, medical files such as those protected under the HIPAA Privacy Rule or medical records maintained by Disability Retirement Services and Disability Litigation, Social Security numbers, information not attainable through the Public Records Act, etc. The following are the primary categories of Sensitive and Confidential Information:
 - a. **PHI:** Protected Health Information as defined by HIPAA or other similar laws
 - b. **PII:** Personal Identifiable Information, including member records
 - c. **Security Information:** Information required to access other sensitive or confidential information, or LACERA's assets

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- d. **Proprietary Information:** Information that is considered a valuable asset to LACERA that requires protection from unauthorized access to preserve its value
 - e. **Privileged Information:** Information that LACERA is entitled by law to protect from disclosure, such as attorney–client communications and legal work products
- 4.3.10 **Secured Workplace Compliance Plan.** This plan is prepared by Division Management when a division is found to be noncompliant with LACERA’s Secured Workplace Policy. This plan is subject to the approval of LACERA’s Privacy Officer. This plan lays out remediation steps and an estimated date of completion. Steps listed should include immediate mitigation measures that are to be implemented until permanent security measures are established.

SECURED WORKPLACE POLICY

November 30, 2017

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5 HISTORY

5.1 Approvals

As the scope of this Policy applies to all LACERA staff and has an organization-wide effect, the following approval is required.

5.1.1 Recommended by OOC:

5.1.2 Approval by BOR:

5.2 Current Status

5.2.1 Original Effective Date: November 30, 2017

5.2.2 Last Updated: November 30, 2017

5.2.3 Mandatory Review: November 30, 2019

5.3 Versions

5.3.1 There are no prior versions to date.

FOR INFORMATION ONLY

January 26, 2018

TO: Operations Oversight Committee
Marvin Adams, Chair
Thomas Walsh, Vice Chair
Alan Bernstein
William Pryor
Vivian H. Gray, Alternate

FROM: JJ Popowich, Assistant Executive Officer 
Bernie Buenaflor, Interim Assistant Executive Officer 

FOR: February 7, 2018 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
12-15-17	A. Calonder, S&P Global	<p>Read that LACERA will be investing \$50 million in the AEW Value Investors Asia III fund and is considering another \$50 million commitment to Heitman Asia Property Investors fund. Requested information to confirm commitment.</p> <p><i>Transmitted 1 document.</i></p> <p><i>Sent via email: BOI Memo dated December 4, 2017 re International Real Estate Commingled Fund AEW Value Investors Asia III: Recommendation – Approve a commitment of up to \$50 million to AEW Value Investors Asia III.</i></p>
12-18-17	C. Deveraux, Bison	<p>Requested the Private Equity Reports as of Q2 2017.</p> <p><i>Transmitted 1 document.</i></p> <p><i>Sent via email: Portfolio Investment Report dated as of June 30, 2017.</i></p>
12-19-17	H. Parker, Preqin	<p>Requested information, shown below, regarding private equity/venture capital funds.</p> <ol style="list-style-type: none"> 1. Commitment, Contribution, Distribution, Value and IRR as of June 30, 2016, including private equity, venture capital, distressed debt, mezzanine, fund of funds, infrastructure, real estate, natural resources and private debt partnerships; 2. An up-to-date account of your current asset allocations and target allocations to the above asset classes as well as to any equity, alternatives and fixed income investments you may have; 3. For each fund partnership, the total dollar amount public investment fund paid in each calendar year for management fees, expenses, carried interest, and pro rata share of aggregate fees and expenses paid by all of the portfolio companies held within the alternative investment vehicle (as per Assembly Bill No. 2833); and 4. A list of all partnership interests bought and sold to date in the secondary market, the price received/paid and corresponding net asset value date and net asset value associated with the purchase/sale (please see the attached sample data). <p><i>Transmitted 3 documents.</i></p> <p><i>Sent via email: LACERA 2017.06.30, in response to Item 1; LACERA Asset Allocation Table, in response to Item 2, and LACERA 2017.06.30 AB 2833 in response to Item 3.</i></p>
12-20-17	C. Banares, Secondary Link	<p>Requested information, shown below, regarding your alternative investments.</p> <ol style="list-style-type: none"> 1. Names of all limited partnerships (e.g. private equity, real estate, hedge fund, infrastructure and timber funds) your institution owns. 2. Sizes of all the limited partnerships 3. Vintage years of all the limited partnerships 4. Most updated information available on amount committed to the partnerships and amount drawn by the partnerships. 5. Distributions made by each individual partnership.

DATE RECEIVED	REQUESTER	DOCS REQUESTED
		<p>6. Net Asset Value of each partnership.</p> <p>7. Internal rates of return (IRR), TVPIs/Multiples, and DPI for each individual partnership, for the most recent date available. (Please specify whether the data is net or gross of expenses and fees.)</p> <p>Date as of which all the above data was calculated.</p> <p><i>Transmitted 3 documents.</i></p> <p><i>Sent via email: Real Estate LACERA 2017-1Q17 PMR; Q2 2017 Hedge Fund Performance Book; and Private Equity LACERA 2016.06.30.</i></p>
01-02-17	C. Devereaux, Bison	<p>Requested Real Estate Performance Report as of 6/30/2017.</p> <p><i>Transmitted 1 document.</i></p> <p><i>Sent via email: LACERA 2017 – 2Q17 PMR.</i></p>
01-02-18	M. Lau, LA Times	<p>Requested pension amounts, month by month from January 2015 through today, for Paul Tanaka and Lee Baca and show whether there has been an increase in the amount in recent months.</p> <p><i>Transmitted 1 document.</i></p> <p><i>Sent via email: LA Times_GrossPayDataReq_01-02-2018</i></p>
01-02-18	S. Sutton, BuyOuts Insider	<p>Requested reports regarding December 13, 2017, BOI meeting materials shown below.</p> <p>Agenda Item X-B – Assembly Bill 2833 Report – Fiscal Year 2017;</p> <p>Agenda Item X-F – Private Equity Performance Report, and</p> <p>Agenda Item X-G – Investment Fee Validation Procedure.</p> <p><i>Transmitted 1 document.</i></p> <p><i>Sent via email: BOI Agenda Package for meeting held on Wednesday, December 13, 2017.</i></p>
01-04-18	K. Bouteraa, Palico	<p>Requested Quarterly 2017 data records concerning alternative investments and access to all types of Private Equity asset investments (including Buyout, venture capital, distressed debt, mezzanine, fund of funds, infrastructure, real estate and special situations) in which LACERA has been an investor.</p> <p><i>Transmitted on January 4, 2018 the following email response: I have attached the latest Private Equity and Real Estate Fund reports. Please note that the reports are performed bi-annually so I included Q4 2016 and Q2 2017 which are the latest reports.</i></p> <p><i>Transmitted 4 documents.</i></p> <p><i>Sent via email:</i></p>

DATE RECEIVED	REQUESTER	DOCS REQUESTED
		<i>LACERA 2017 - 1Q17 PMR; LACERA 2016.12.31; LACERA 2017 - 2Q17 PMR; and LACERA 2017.06.30.</i>
01-04-17	S. Miles, Proxy Insight Limited	<p>Provide the proxy voting records of the Los Angeles County Employees Retirement Association (LACERA) for the period of 1st July 2017 to 31st December 2017. For the avoidance of doubt, I am referring to the investments made by the Pension Fund rather than any electoral voting. Ideally, I would like to have the following information in electronic format:</p> <ul style="list-style-type: none"> • Name of Issuer • Issuer Identifier e.g. Ticker or CUSIP • Date of Shareholder Meeting • Type of Shareholder Meeting (Annual, Special etc.) • Proposal No. • Proposal • Proposer (Management / Shareholder) • Vote cast by Los Angeles County Employees Retirement Association (LACERA) • Entity responsible for vote decision (Internal/external asset manager (if external, please name) / proxy voting advisor (ISS, Glass Lewis, Marco Consulting, etc.) <p>In addition, please indicate whether the Los Angeles County Employees Retirement Association (LACERA) has its own proxy voting policy or whether you use that of an external provider (Please Name).</p> <p><i>Response transmitted January 9, 2018 via email: I have attached LACERA's proxy voting record from 07/01/2017 through 12/31/2017. Additionally, in response to your second question, LACERA votes its separate account proxies according to LACERA's proxy voting policy.</i></p> <p>Transmitted 1 document.</p> <p>Sent via email: <i>Proxy voting record from 07/01/2017 - 12/31/2017.</i></p>
01-04-18	S. Yang, Pitchbook	<p>Requested copy of the quarterly public records from Q2 2017 of the following information at the partnership level, preferably in Excel or PDF format:</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;

DATE RECEIVED	REQUESTER	DOCS REQUESTED
		<p>8. The dollar amount of “total management fees and costs paid” for each individual partnership;</p> <p>9. Date as of which all the above data was calculated; and</p> <p>10. Names of all alternative asset partnerships partially and fully sold by Los Angeles County Employees' Retirement Association, including date of sale.</p> <p><i>Transmitted 2 documents.</i></p> <p><i>Sent via email: LACERA 2017 – 2Q17 PMR and LACERA 2017.06.30.</i></p>
01-05-18	J. Peterson, IPE	<p>Requested board meeting documents for the following board agenda items:</p> <p>B. LACERA Total Fund Asset Allocation, and</p> <p>C. Real Estate Performance Measurement Report 2nd Quarter 2017.</p> <p><i>Transmitted 2 documents.</i></p> <p><i>Sent via email: BOI memo dated December 21, 2017 re Real Estate Performance Measurement Report 2nd Quarter 2017 and BOI memo dated December 22, 2017 re LACERA Total Asset Fund Allocation.</i></p>
01-08-18	C. Devereaux, Bison	<p>Requested Real Estate Performance Reports as of June 30 2017.</p> <p><i>Transmitted 1 document.</i></p> <p><i>Sent via email: LACERA 2017 – 2 Q17 PMR.</i></p>
01-09-18	K. Kishore, Individual	<p>Requested Q2 2017 copy of PE report.</p> <p><i>Transmitted 1 document.</i></p> <p><i>Sent via email: LACERA 2017.06.30.</i></p>
01-10-18	D. Gregory, Public Plan IQ	<p>Requested copy of Los Angeles County Employee Retirement Association documents regarding the following:</p> <ul style="list-style-type: none"> • January 10, 2018 Board of Investments Meeting: All investment related discussion materials; • January 10, 2018 Corporate Governance Committee: All investment related discussion materials; • January 10, 2018 Fixed Income, Hedge Fund, Commodities Meeting: All investment related discussion materials; and • January 10, 2018 DVD recording of the Board of Investments & all Committee Meetings. <p><i>Transmitted 3 documents.</i></p>


DATE RECEIVED	REQUESTER	DOCS REQUESTED
		<p><i>Sent via email: Agenda Packets Board of Investments; Fixed Income/Hedge Funds/Commodities Committee of the Board of Investments Corporate Governance Committee of Board of Investments meetings held on Wednesday, January 10, 2018. DVDs mailed on January 11, 2018, via USPS First Class mail.</i></p>
01-10-18	A. Kruk, Mandate Wire	<p>Requested copies of the following board documents:</p> <ol style="list-style-type: none"> 1. The Chief Investment Officer's report (memo dated Dec. 22); 2. The 2018 annual private equity investment plan (memo dated Dec. 22); 3. The memo regarding the private equity secondary advisor search (memo dated Dec. 22); 4. The 2018 Board of Investments meeting calendar and work plan (memo dated Dec. 20); 5. The LACERA total fund asset allocation (memo dated Dec. 22); and 6. The hedge fund performance discussion (memo dated Dec. 29). <p>Questions asked and answers shown in bold italics.</p> <ol style="list-style-type: none"> 1. Was the 2018 private equity plan approved? YES. 2. Was the private equity secondary advisor search approved? YES. 3. What was discussed regarding the HBK Multi-Strategy Fund? Was a commitment approved and if so for how much? <i>The Board authorized an investment of up to \$250 million in the HBK Multi-Strategy Fund L.P. with an initial allocation of \$125 million.</i> 4. What was discussed regarding BlackRock? Was a new investment approved and if so, for how much? <i>The Board approved the conversion and consolidation of LACERA's investments in certain public equity and fixed income commingled investment products managed by Blackrock Trust Company to separate accounts.</i> <p><i>Transmitted 1 document.</i></p> <p><i>Sent via email: Agenda Packet for the Board of Investments meeting held on Wednesday, January 10, 2018.</i></p>
01-10-18	C. Podkul, WSJ	<p>Requested copy of LACERA's latest public markets holdings report, both for U.S. and non-U.S. holdings, as of the latest available reporting date.</p> <p><i>Transmitted 2 documents.</i></p> <p><i>Sent via email: Pub Rec Req Holdgs - U.S. Equity Holdings as of June 30, 2017 and Pub Rec Req Holdgs Non-U.S. Equity Holdings as of June 30, 2017.</i></p>
01-11-17	S. Sutton, Buyouts Insider	<p>Questions and answers submitted in bold italicized text.</p> <ol style="list-style-type: none"> 1. Did the board approve the changes to private equity objectives, policies and procedures? Yes.

DATE RECEIVED	REQUESTER	DOCS REQUESTED
		<p>2. Did the board approve the private equity investment plan, as presented? Yes.</p> <p>3. Did the board approve the RFP for a secondary advisor? Yes.</p> <ul style="list-style-type: none"> • Has LACERA identified what parts of its PE portfolio it would like to sell? No. • How much of the portfolio does it plan to sell? No Stated Plan. • What managers' funds would be included in the sale? This item was for authority, no specific assets were discussed. • Is a copy of the list of PE managers identified as "core" relationships available? The PE Managers are not categorized as such. <p>Requested BOI Investment Agenda Package for meeting held on January 10, 2017.</p> <p><i>Transmitted 1 document.</i></p> <p><i>Sent via email: 2018-01-BOI-AGENDA-S1.</i></p>



January 22, 2018

TO: Operations Oversight Committee
Marvin Adams, Chair
Thomas Walsh, Vice Chair
Alan Bernstein
William Pryor
Vivian H. Gray, Alternate

FROM: Quoc Nguyen 
Principal Internal Auditor

FOR: February 7, 2018 Operations Oversight Committee Meeting

SUBJECT: **MEMBER DEATH VERIFICATION PROCESS 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 other Committees.

At the November 30, 2017 meeting, the Audit Committee directed staff to forward the Member Death Verification Process Audit Report (ATTACHMENT A) to the Operations Oversight Committee for your information and attention. Specifically, the Audit Committee questioned Internal Audit's recommendation (below) in the Member Death Verification Process Audit Report and management's acceptance of that recommendation.

INTERNAL AUDIT RECOMMENDATION: *Strengthen a low risk part of the process, specifically in the rare instances where BPU [Benefits] staff have inconclusive evidence on whether the member is alive or deceased and cannot make contact with the member. In these instances, management should consider placing payment holds on the member's account and request that the member contact LACERA to be verified before continuing the monthly benefit.*

The Committee's specific concern was related to the practice of placing payment holds on member accounts prior to having conclusive evidence that the member is deceased. The Committee requested that this matter be discussed in further detail with staff at the Operations Oversight Committee.

Each Member, Operations Oversight Committee
Re: Member Death Verification Audit Report
January 22, 2018
Page 2 of 2

In preparation of this discussion with the Operations Oversight Committee, the Benefits Division issued a supplemental memo (ATTACHMENT B) which provides an overview of the payment hold process related to the Member Death Verification Process. In addition to the supplemental memo, Benefits and Internal Audit staff will be available to address questions or comments your Committee may have.

JK:RB:qn
Member Death Verification Audit Report To OOC.Docx

Attachments

- A – Member Death Verification Audit Report
- B – Benefits Division Supplemental Memo to OOC

REVIEWED AND APPROVED

A handwritten signature in black ink, appearing to read 'Richard Bendall', written over a horizontal line.

Richard Bendall
Chief Audit Executive



LACERA INTERNAL AUDIT SERVICES

Member Death Verification Process

October 31, 2017

AUDIT PERFORMED BY:

Gabriel Tafoya, CISA
Senior Internal Auditor

EXECUTIVE SUMMARY

Per our fiscal year 2017-2018 audit plan, we performed an audit of the "member death verification process", which is a process where LACERA works with a vendor (aka the death verification contractor) to assist with detecting member deaths as timely as possible. Semi-annually, LACERA provides the death verification contractor a file with LACERA's membership data. The vendor compares the file to their internal resources and then notifies LACERA of possible death matches. The Benefits Protection Unit (BPU), a unit within the Benefits Division is responsible for following up on the possible death matches and stopping benefit payments to members verified as deceased. This process is important in preventing benefit overpayments.

The scope and objectives of our audit included assessing the adequacy of the process's design and key controls, determining if LACERA is employing the effective resources or technologies that are available, and verifying whether BPU staff are properly following-up on death match notifications from the vendor.

Internal Audit found that LACERA's member death verification process is designed effectively to proactively detect unreported deaths and assist with preventing overpayments. We noted the following positive observations:

- BPU's written procedures are comprehensive and adequately walk users through the member death verification process.
- BPU has a similar or more comprehensive process than other public pension funds we surveyed and reached out to.
- There were no known third party products or available technologies that provided more death search capability than what LACERA is already employing.
- For all 50 vendor death notifications tested, BPU followed-up timely and placed a payment hold on the member's account if the member was verified as deceased, which prevented the possibility of overpayments.

However, we noted an opportunity for management to strengthen their vendor monitoring controls. We noted that the Benefits Division, as the contract owner, was not monitoring the vendor's data security controls over LACERA's member data. We recommend that the Benefits Division develop an on-going process to ensure that the death verification contractor has adequate controls for securing, safeguarding, and ensuring the confidentiality of LACERA's member data.

We also noted an opportunity for management to strengthen a low risk part of the process, specifically in the rare instances where BPU staff has inconclusive evidence on whether the member is alive or deceased and cannot make contact with the member. In these instances, management should consider placing payment holds on the member's account and request that the member contact LACERA to be verified before continuing the monthly benefit. Management agreed with our recommendations and has developed an action plan for implementation. Internal Audit would like to thank BPU staff and Benefits management for their cooperation and assistance during this review.

Member Death Verification Process

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INTRODUCTION

Per our fiscal year 2017-2018 audit plan, we performed an audit of the "member death verification process", which is a process where LACERA works with a third party vendor to assist with detecting member deaths as timely as possible. This process is important for preventing benefit overpayments. Without timely notifications, payments to deceased members can potentially go on for months or years before being detected. The member death verification process is managed by the Benefits Protection Unit (BPU), a unit within the Benefits Division.

BACKGROUND

Member deaths are reported to LACERA by various parties including family, friends, past County department employers, funeral homes, coroners, hospitals, etc. However, these channels are not always effective in reporting deaths timely. Therefore, LACERA created the member death verification process to supplement the regular notification channels to ensure that deaths are identified as timely as possible.

Historically, Financial and Accounting Services Division (FASD) and Internal Audit were responsible for the member death verification process. In January 2016, the Benefits division took over this responsibility when the Benefits Protection Unit (BPU) was created.

The member death verification process consists primarily of BPU staff working with the "death verification vendor" (DVC), which is a company that provides death match services to pension funds and financial services firms. The DVC maintains a proprietary death record database which is a compilation of death records from the Social Security Administration (SSA), Railroad Retirement Board, Department of Veterans Affairs, the Civil Service Commission, and obituary data. The DVC also purchases vital statistics data that include state death records, marriage records, and birth records from public health agencies and vital statistics offices across the country.

The DVC is given a file with LACERA's membership information on a semi-annual basis. The DVC then reconciles that file on a weekly basis against the Social Security Administration (SSA), state vital records, obituary information, and vital statistics data that include the California Department of Public Health (CDPH). On a weekly basis, The DVC notifies BPU staff that death match report results are ready for retrieval on the DVC's secure site.

BPU staff will review the DVC's weekly report and investigate whether the members listed on the report are in fact deceased. The DVC also provides BPU with an obituary matching service. Obituary matches use various match fields such as the member name, address, zip code, and are considered lower probability type matches, since obituary information does not have social security numbers (SSNs) which can be matched against the SSA database. BPU determines if an

obituary matched member is in fact deceased by validating the SSN LACERA has on file against the SSA database, comparing the DVC's obituary information against Workspace, and using other analytical tools such as the CLEAR investigation application and Web searches.

Once all death matches are validated, a BPU analyst generates a listing of all accounts requiring an immediate payment hold. This report is provided to the Benefits Special Administrative Services (SAS) Unit supervisor, who places the payment holds on the member accounts and sends notification letters and "Request for Confirmation of Identity" forms to the members. If the member claims that he or she is alive, the member is required to complete the "Request for Confirmation of Identity" form and verification by a third-party (e.g., social security administration office), and return the completed form to LACERA. The payment hold is removed once BPU complete their validation of the form. The member also has the option of coming into the LACERA public counter for verification in person.

During the above process, BPU will also update the internal death match tracking database. The tracking database was developed in-house for tracking death case statuses, overpayment statuses, overpayment amounts, processing statuses and hold dates. FASD is the main user of this application. Overpayments that are collected by FASD are recorded into the internal death match tracking database as payment received. As a final control check, at the end of each month, BPU staff extracts a pending payment records report from the internal death match tracking database, and validates that the appropriate cases have been closed in Workspace.

OBJECTIVE(S)

Review the member death verification process and assess the following:

- The adequacy of the process's design
- Internal controls related to the member death verification process
- If any other process and/or technology is available but is not being used by staff that would improve the process of proactively detecting deceased members
- Whether staff properly follows-up on weekly death reconciliation reports from the DVC

AUDIT SCOPE

- All policies and procedures related to the member death verification process.
- Death Verification Contractor contracting agreement
- The entire design of the member death verification process
- Death match notifications sent from the DVC to BPU staff in calendar year 2016

AUDIT METHODOLOGY

Internal Audit:

- Interviewed BPU staff and Benefits management
- Performed a walkthrough of the member death verification process
- Reviewed the current Death Verification Contractor processing procedures and contract
- Contacted other public pension funds to learn their processes
- Tested 50 death notifications that staff received from the DVC in calendar year 2016 to verify that staff properly followed up on the notification. Specifically, we verified that:
 - Staff followed up on each notification timely to determine whether the member in the notification was deceased
 - If the member was deceased, that the member's monthly payment was suspended timely to prevent overpayments
 - If an overpayment occurred as a result of a late notification, the overpayment was recovered

AUDIT RESULTS

Overall Results

Internal Audit found that the member death verification process is designed effectively to proactively detect unreported deaths and assist with preventing overpayments. We noted the following positive observations:

- BPU has a more comprehensive process than other public pension funds we spoke with. We spoke with two state public pension funds who use a similar service provider as the DVC for monthly/quarterly death matching, and also perform Obituary and Health Department matching. We also solicited processes from other public pension funds and found that they were not as robust as LACERA's member death verification process.
- There were no known third party products or available technology that provided more death search capability than what LACERA is already employing.
- BPU's written procedures are comprehensive and adequately guide users through the DVC process.
- For all 50 DVC death notifications tested, BPU followed-up on the notification timely, and placed a payment hold within Workspace timely if the member was in fact deceased, which prevented the possibility of overpayments.

During our review, however, we noted opportunities for management to enhance the internal controls with respect to vendor management and data privacy. We also noted opportunity for strengthening the validation process for low probability death match results.

Data Confidentiality and Privacy

As mentioned, LACERA's membership data sent to the DVC includes personal information (PI) such as members' social security numbers, names, addresses, birth dates, beneficiary information, etc. LACERA's privacy policy requires that reasonable safeguards be implemented to ensure the privacy of PI, including controls on who can access the information, how the information is used, how it is obtained, stored, and shared, and how it is eventually discarded. It is critical for LACERA contract managers (i.e., division managers who have contractual relationships with the vendors) to ensure that vendors who maintain sensitive member information have strong controls for protecting LACERA's data. This can be done by:

- Requesting Service Organizational Controls (SOC2) reports from the vendor. A SOC2 report provides attestation, typically by a CPA firm, that sensitive client data maintained by a vendor is effectively safeguarded. SOC2s focus on Information Technology controls that address systems security, availability, processing integrity, confidentiality, and privacy.
- Performing site visits on a periodic basis.
- Contacting the vendor periodically to ensure no material changes have taken place with respect to how the data is used and/or stored.

During our review, we noted that management did not have a process for ensuring that the DVC has strong controls for securing and safeguarding LACERA's member data. Specifically:

- Management did not request a SOC2 report from the DVC. Internal Audit subsequently reached out to the DVC and found that they had a SOC2 audit performed in April, 2016.
- In reviewing the SOC2 report, we found that the DVC had recently changed the facility for where their servers are maintained and located, which houses LACERA's member data. However, LACERA management was unaware of the change and had not performed due diligence to ensure that the new facility was secure.
- Management does not have a process for performing on-going due diligence of the DVC information technology (IT) infrastructure to determine its adequacy.

LACERA places itself at risk of breaches of confidential membership data if management does not verify and get assurance that the vendors IT controls are suitably designed and operating effectively as they relate to data security and privacy.

RECOMMENDATION

- 1. The Benefits Division should consult the LACERA Compliance Program Team related to the enhanced requirements for managing and monitoring vendors that have custody of LACERA member data. This may include the need to**

revise contract language, enhance oversight and due diligence procedures, and coordinate a visit to the vendor(s).

Management Response

The Benefits Division concurs with the recommendation. LACERA's Compliance Program Team and Privacy Officer will develop a system for regularly verifying that LACERA's external partners who take custody of LACERA's confidential information maintain adequate protections over that information. It is anticipated that the control system will be in place by December 31, 2018.

Additionally, the Benefits Division will work with LACERA's Compliance Team and Privacy Officer to develop a system for monitoring the DVC and other external vendors with whom the Benefits Division contracts with to ensure LACERA's member data is secure. We anticipate completing this by March 31, 2018.

Lower Probability Death Matches

The DVC performs obituary matches in which LACERA membership data is matched against the DVC's obituary database. While the possibility of an actual death match with a member is relatively low, these obituary death matches should be investigated thoroughly, especially in cases where the SSA is not notified or notified late of a member's death.

Although staff follow-up on all death matches ranging from high to low probability, as was evident in the documentation from our test work, we noted an opportunity for management to strengthen the process for concluding that a member is in fact alive. For example, when the DVC provides LACERA with a lower probability death match, such as an obituary match, staff determines whether the member is alive or deceased by validating the SSN LACERA has on file against the SSA database, comparing the DVC's obituary information against Workspace, and using other analytical tools such as the CLEAR investigation application and Web searches. However, in rare cases where BPU cannot obtain substantive evidence that the member is alive or make contact with the member, BPU currently does not have a mechanism to place a hold on the member's monthly payments and request that the member confirm their status with LACERA before releasing the hold. Instead, BPU staff sends a letter to the member requesting that the member contact LACERA but allows their monthly benefits to continue.

In contrast to other LACERA processes such as in the Automatic Deposit Receipt (ADR) Process, staff will flag the member's account as a possible member death if LACERA receives several returned direct deposit notices (or ADRs) that were mailed to the member. LACERA will then send a letter to the member indicating that their account will be placed on temporary hold and requests that the member resolve the issue by completing and returning a "Request for Confirmation of Identity" form or other means of verification. With the DVC's lower probability

death matches where BPU cannot obtain substantive evidence that the member is alive, management should consider employing a process similar to the ADR process.

RECOMMENDATION

2. In instances where BPU staff cannot obtain substantive evidence that the member is alive or deceased, management consider implementing a similar payment hold process as the one used for the ADR Process.

Management Response

The Benefits Division concurs with the recommendation, and BPU will work with its partners within the Benefits Division and in Member Services to strengthen existing procedures for validating and following up on low-probability death reports. It is anticipated that this project will be completed by June 30, 2018.

We would like to thank Benefits Division and the BPU staff for their assistance in completing this audit.

NOTED AND APPROVED



Richard Bendall
Chief Audit Executive

Date: **October 31, 2017**

REPORT DISTRIBUTION

2017 Audit Committee	Robert Hill	Bernie Buenaflor
Rick Wentzel	James Brekk	Steve Rice
Internal Audit Staff	JJ Popowich	Sylvia Botros



January 22, 2018

TO: Operations Oversight Committee
Marvin Adams, Chair
Thomas Walsh, Vice Chair
Alan Bernstein
William Pryor
Vivian H. Gray, Alternate

FROM: Vanessa Gonzalez *VB*
Interim Benefits Division Manager

FOR: February 7, 2018 Operations Oversight Committee Meeting

SUBJECT: **MEMBER DEATH VERIFICATION PROCESS AUDIT REPORT**

At the November 30, 2017 Audit Committee meeting, the Audit Committee questioned Internal Audit's recommendation (below) in the Member Death Verification Process Audit Report and management's acceptance of that recommendation.

INTERNAL AUDIT RECOMMENDATION: *Strengthen a low risk part of the process, specifically in the rare instances where BPU [Benefits] staff have inconclusive evidence on whether the member is alive or deceased and cannot make contact with the member. In these instances, management should consider placing payment holds on the member's account and request that the member contact LACERA to be verified before continuing the monthly benefit.*

The Committee's specific concern was related to the practice of placing payment holds on member accounts prior to having conclusive evidence that the member is deceased. The Committee requested that this matter be discussed in further detail with staff at the Operations Oversight Committee.

The Benefits Division Response to the Audit Committee's Concerns

Benefits staff believes that the Audit Committee's concern is valid and that there are risks associated with placing payment holds on member accounts without having complete validation of the member's death. However, LACERA's existing process exhausts all avenues available before placing any member's benefit on hold due to having inconclusive evidence of death. If it is determined a payment hold is necessary; the account is monitored going forward for new activity, which typically lead to reactivation of

benefits and the restoration of any past benefits owed to the member. Additionally, it is extremely rare that the Benefits Protection Unit (BPU) within the Benefits Division is unable to verify a member's status. As a result of these factors and our existing controls, staff believes that the risk of inappropriately placing a hold on a member's account is significantly reduced.

The Benefits Division is in agreement with Internal Audit's recommendation of placing a hold on member accounts in these rare situations. We believe this practice helps protect the member's account while also protecting the LACERA fund.

Below is a further description of our process and the efforts put forth in verifying the statuses of our members.

Death Match Process Background

The Death Verification Contractor ("DVC") provides death research services to LACERA. The DVC reconciles LACERA's payroll records with death information they receive from the Social Security Administration and state vital records. This reconciliation is done to limit the loss to the fund by the issuance of payments to possibly deceased members.

Reports to and from the Death Verification Contractor

Semi-annually, our Systems Division will provide a list of LACERA's members to the DVC. This list includes retired members, dependents, beneficiaries and all active members. DVC compares this list to the death information they receive from the Social Security Administration and state vital records for every state with accessible records.

On a weekly basis, DVC provides LACERA a report of potentially deceased members, based on their death record comparison or death match.

What Does BPU Do With the Report?

BPU completes a full analysis of the death match results, which assesses the reliability of the death match based on the type of match. BPU also reviews the member's account thoroughly for clues regarding the member's status, including health insurance coverage or suspicious account changes. BPU then develops an action plan to further corroborate each death match and confirm the member's true status.

Unresolved Death Matches

Phone Call

There are some instances where a call to the member is necessary to clarify the member's status. This typically happens when SSA reports the member as alive while DVC has provided an obituary match reflecting the member has passed. The BPU analyst will attempt to contact the member and verify the member's identity and status.

Correspondence

BPU will also send correspondence to members as necessary to confirm their status.

Additional Resources

If BPU are unable to reach the member by phone or through correspondence, BPU has the following resources available for further investigation:

- ✓ *CLEAR SEARCH*: an online investigation database used by law enforcement, government agencies, and attorneys.
- ✓ *LexisNexis*: an online legal research database used by law enforcement, government agencies, and attorneys.
- ✓ *SSA Online Verification*: an online service provided by the Social Security Administration, which confirms whether an individual is alive, or deceased.
- ✓ *VitalChek*: an external processor authorized across the nation for ordering official vital records like birth, death, marriage and divorce certificates online.
- ✓ *Third Party Investigators (CoventBridge Group)*: Private investigators conduct an "alive and well" visit to the member to confirm their status.

Payment Hold

If, in its efforts to contact and verify the status of the member, BPU has exhausted available options, BPU will seek Management's approval to place a payment hold on the account and send a certified letter to the member's last known address explaining the circumstances. BPU will continue to monitor the account for activity until the case is resolved. If the member is found to be alive, then LACERA takes steps to make the member whole as quickly and as completely as possible.

Each Member, Operations Oversight Committee
Re: Member Death Verification Audit Report
January 22, 2018
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Conclusion

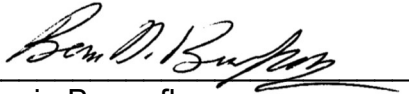
Since implementing the process described above, no member benefits have been placed on hold due to an inconclusive death report. Therefore, the account payment holds serves only as a failsafe measure to protect the member's account and LACERA fund.

JK:RB:qn
Member Death Verification Audit Report To OOC.Docx

Attachments

A – Member Death Verification Audit Report
B – Benefits Division Supplemental Memo to OOC

REVIEWED AND APPROVED



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