

## AGENDA

A SPECIAL JOINT MEETING OF THE BOARD OF RETIREMENT

AND THE BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 NORTH LAKE AVENUE, SUITE 810, PASADENA, CALIFORNIA 91101

8:00 A.M., THURSDAY, JANUARY 17, 2019

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

- I. CALL TO ORDER
- II. PLEDGE OF ALLEGIANCE
- III. APPROVAL OF MINUTES
  - A. Approval of the Minutes of the Special Joint Meeting of the Board of Retirement of December 13, 2018
  - B. Approval of the Minutes of the Special Joint Meeting of the Board of Investments of December 13, 2018
- IV. PUBLIC COMMENT
- V. NON-CONSENT ITEMS
  - A. For Board of Retirement Only. Recommendation as submitted by Bernie Buenaflor, Division Manager, Benefits Division: That the Board of Retirement 1) Determine, based upon medical evaluation from the Los Angeles County Office of Occupational Health Programs, that Earl Fred Leaf III is not incapacitated for the assigned duties, and 2) Grant the application of Earl Fred Leaf III for reinstatement to active membership. (Memo dated January 9, 2019)

V. NON-CONSENT ITEMS (Continued)

- B. Recommendation as submitted by Lou Lazatin, Chief Executive Officer: That the Boards approve and direct management to execute a Memorandum of Understanding for Represented Employees with LACERA Administrative, Technical, Clerical, and Blue Collar Bargaining Unit (Unit 850) and LACERA Supervisory Bargaining Unit (Unit 851), or to implement salary and benefits adjustments as recommended. (Memo dated January 7, 2019)
  
- C. Recommendation as submitted by Lou Lazatin, Chief Executive Officer: That the Boards approve adjustments for LACERA's Non-Represented and Management Appraisal and Performance Plan (MAPP) classes to mirror, except as may be stated, salary and compensation adjustments granted to LACERA's Represented Employees. (Memo dated January 7, 2019)
  
- D. Recommendation as submitted by Lou Lazatin, Chief Executive Officer and Steven P. Rice, Chief Counsel: That The Boards 1) Re-establish the Joint Organizational Governance Committee (JOGC) under its original August 2017 Charter, with the direction to the JOGC to review the Charter and provide a recommendation to the Boards for any revisions within 90 days; 2) The Boards each elect one member to the JOGC; and 3) The Boards dissolve the Joint Governance Review Committee (JGRC), including the separate committees separately approved by each Board. (Memo dated January 3, 2019)
  
- E. Recommendation as submitted by Lou Lazatin, Chief Executive Officer: That:
  - 1. The Board of Retirement increase the Chief Executive Officer's (CEO) approval limit for expenditures necessary for the operation of LACERA under the General Policy Guidelines for Purchasing Goods and Services from \$75,000 to \$150,000; and
  - 2. The Board of Investments approve and accept the increased limit with respect to investment-related and actuarial expenditures. (Memo dated January 10, 2019)

VI. ITEMS FOR STAFF REVIEW

VII. GOOD OF THE ORDER

VIII. EXECUTIVE SESSION

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

Number of Potential Cases: One

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

LACERA designated representatives:

John Popowich, Assistant Executive Officer

John Nogales, Director, Human Resources

Employee Organization:

SEIU, Local 721

- C. Conference with Labor Negotiators  
(Pursuant to Government Code Section 54957.6)

LACERA designated representatives:

John Popowich, Assistant Executive Officer

John Nogales, Director, Human Resources

Employees:

Non-Represented Employees and MAPP Classes

IX. ADJOURNMENT

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

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

MINUTES OF THE BOARD OF RETIREMENT FROM  
A SPECIAL JOINT MEETING OF THE BOARD OF RETIREMENT  
AND THE BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION  
300 NORTH LAKE AVENUE, SUITE 810, PASADENA, CALIFORNIA 91101

8:00 A.M., THURSDAY, DECEMBER 13, 2018

PRESENT: Vivian H. Gray, Chair (Arrived at 8:17 a.m.)

Herman B. Santos, Vice Chair

Marvin Adams, Secretary

Alan Bernstein

JP Harris, Alternate Retiree Member

Shawn Kehoe

Joseph Kelly (Left the meeting at 9:31 a.m.)

William Pryor, Alternate Safety Member

Les Robbins

Gina Zapanta-Murphy (Arrived at 8:25 a.m.)

ABSENT: Thomas Walsh

BOARD OF INVESTMENTS

PRESENT: David Green, Chair

Shawn Kehoe, Vice Chair

Joseph Kelly

David Muir

December 13, 2018

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BOARD OF INVESTMENTS (Continued)

Ronald Okum

Gina Sanchez

Herman B. Santos

Michael Schneider

ABSENT: Wayne Moore, Secretary

STAFF ADVISORS AND PARTICIPANTS

Lou Lazatin, Chief Executive Officer

John Popowich, Assistant Executive Officer

Steven P. Rice, Chief Counsel

Johanna Fontenot, Senior Staff Counsel

Harvey L. Leiderman, Reed Smith LLP, Outside Fiduciary Counsel

Manny Abascal, Latham & Watkins, Outside Counsel

I. CALL TO ORDER

The meeting was called to order by Mr. Green at 8:15 a.m., in the Board Room of Gateway Plaza.

II. PLEDGE OF ALLEGIANCE

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

III. APPROVAL OF MINUTES

- A. Approval of the Minutes of the Special Joint Meeting of the Board of Retirement of November 19, 2018

Mr. Santos made a motion, Mr. Pryor seconded, to approve the minutes of the special meeting of November 19, 2018. The motion passed unanimously by all members present.

- B. Approval of the Minutes of the Special Joint Meeting of the Board of Investments of November 19, 2018

No action was taken on this item by the Board of Retirement.

IV. PUBLIC COMMENT

(Ms. Gray arrived at 8:17 a.m.)

Bart Diener of SEIU Local 721 addressed the Boards regarding equity issues and compensation.

V. REPORT ON STAFF ACTION ITEMS

The Board requested that staff follow up regarding the fringe benefits that the County recently approved.

VI. GOOD OF THE ORDER

The Board thanked Messrs. Schneider and Adams for their service on the Boards.

(Mrs. Zapanta-Murphy arrived at 8:25 a.m.)

December 13, 2018

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VII. EXECUTIVE SESSION

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

Number of Potential Cases: One

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

(Left the Board meeting at 9:31 a.m.)

VIII. ADJOURNMENT

There being no further business to come before the Board, the meeting was  
adjourned at 9:50 a.m.

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MARVIN ADAMS, SECRETARY

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VIVIAN H. GRAY, CHAIR



MINUTES OF THE BOARD OF INVESTMENTS FROM  
A SPECIAL JOINT MEETING OF THE BOARD OF RETIREMENT  
AND THE BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION  
300 NORTH LAKE AVENUE, SUITE 810, PASADENA, CALIFORNIA 91101

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Shawn Kehoe, Vice Chair

Joseph Kelly (Left the Board meeting at 9:31 a.m.)

David Muir

Ronald Okum

Gina Sanchez

Herman B. Santos

Michael Schneider

ABSENT: Wayne Moore, Secretary

BOARD OF RETIREMENT

PRESENT: Vivian H. Gray, Chair

Herman B. Santos, Vice Chair

Marvin Adams, Secretary

Alan Bernstein

JP Harris, Alternate Retiree Member

December 13, 2018

Page 2

BOARD OF RETIREMENT (Continued)

Shawn Kehoe

Joseph Kelly

William Pryor, Alternate Safety Member

Les Robbins

Gina Zapanta-Murphy

ABSENT: Thomas Walsh

STAFF ADVISORS AND PARTICIPANTS

Lou Lazatin, Chief Executive Officer

John Popowich, Assistant Executive Officer

Steven P. Rice, Chief Counsel

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III. APPROVAL OF MINUTES

- A. Approval of the Minutes of the Special Joint Meeting of the Board of Retirement of November 19, 2018

No action was taken on this item by the Board of Investments.

- B. Approval of the Minutes of the Special Joint Meeting of the Board of Investments of November 19, 2018

Mr. Kehoe made a motion, Mr. Okum seconded, to approve the minutes of the special meeting of November 19, 2018. The motion passed unanimously by all members present.

IV. PUBLIC COMMENT

Bart Diener of SEIU Local 721 addressed the Boards regarding equity issues and compensation.

V. REPORT ON STAFF ACTION ITEMS

The Board requested that staff follow up regarding the benefits that the County recently approved.

VI. GOOD OF THE ORDER

The Board thanked Messrs. Schneider and Adams for their service on the Boards.

VII. EXECUTIVE SESSION

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

Number of Potential Cases: One

December 13, 2018

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VII. EXECUTIVE SESSION (Continued)

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

(Mr. Kelly left the Board meeting at 9:31 a.m.)

VIII. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 9:50 a.m.

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WAYNE MOORE, SECRETARY


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DAVID GREEN, CHAIR



January 9, 2019

TO: Each Member  
Board of Retirement

FROM: Bernie Buenaflor   
Division Manager, Benefits Division

FOR: Meeting of January 17, 2019

SUBJECT: **Application of Earl Fred Leaf III for Reinstatement to Active Membership Pursuant to Government Code Section 31680.4 and 31680.5**

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

Earl Fred Leaf III retired from service March 30, 2017. The County of Los Angeles now wishes to re-employ Earl Fred Leaf III as the Director of the Los Angeles County Health Agency (UC) (Item #9962).

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

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





Each Member, Board of Retirement  
January 9, 2019  
Page 2

- **The member's letter to LACERA dated December 27, 2018, requesting reinstatement into active membership as the Director of the Los Angeles County Health Agency (UC). (Attachment 1 )**
- **A Letter from Los Angeles County's Chief Executive Officer (CEO) to the Board of Supervisors requesting approval of the reinstatement on behalf of the hiring agency. (Attachment 2 )**
- **A Medical Evaluation dated January 3, 2019 from the County of Los Angeles Department of Human Resources | Occupational Health Programs certifying that the member is not incapacitated for the assigned duties. (Attachment 3)**

Still pending for delivery to your Board at the January 17, 2019, Board of Retirement Administrative Meeting are the following document currently being prepared in support of the member's application for reinstatement:

- **A Letter from Los Angeles County's CEO confirming the Board of Supervisor's approval of the request to re-employ the member.**

**IT IS THEREFORE RECOMMENDED THAT YOUR BOARD:**

1. Determine, based upon medical evaluation from the Los Angeles County Office of Occupational Health Programs, that the member is not incapacitated for the assigned duties, and
2. Grant the application of Earl Fred Leaf III for reinstatement to active membership.

**REVIEWED AND APPROVED:**

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Robert Hill  
Assistant Executive Officer

BB:bb  
Div\ben\retstaff\EarlFredLeafII  
Attachments



December 27, 2018

LACERA,  
Manager, Claims Processing Division  
Post Office Box 7060  
Pasadena, California 91109

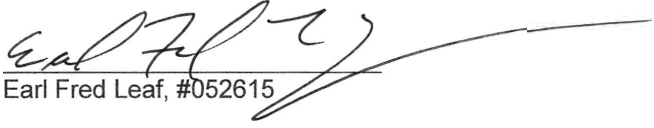
Dear Manager:

I wish to be re-employed as a permanent employee. This letter is to request that my monthly retirement benefit be suspended and that I be re-employed as a Director, Los Angeles County Health Agency (UC) with the County of Los Angeles pursuant to Government Code Section 31680.4.

The Los Angeles County Chief Executive Office would like to re-employ me as a permanent Director, Los Angeles County Health Agency (UC), in accordance with Government Code Section 31680.4. We have secured all the necessary approvals from the Chief Executive Office and the Board of Supervisors to rehire me.

Pending is a medical evaluation stating that I am not incapacitated for the duties I will be performing.

Sincerely,

  
Earl Fred Leaf, #052615



SACHI A. HAMAI  
Chief Executive Officer

County of Los Angeles  
**CHIEF EXECUTIVE OFFICE**

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

*"To Enrich Lives Through Effective And Caring Service"*

REVISED

Board of Supervisors  
HILDA L. SOLIS  
First District  
MARK RIDLEY-THOMAS  
Second District  
SHEILA KUEHL  
Third District  
JANICE HAHN  
Fourth District  
KATHRYN BARGER  
Fifth District

January 08, 2019

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

Dear Supervisors:

**APPOINTMENT AND SALARY FOR INTERIM DIRECTOR,  
CHANGE OF EMPLOYMENT STATUS AND ESTABLISH THE SALARY  
FOR INTERIM DIRECTOR,  
LOS ANGELES COUNTY HEALTH AGENCY (UC)  
ALL DISTRICTS (3 VOTES)**

**SUBJECT**

Recommendation to change the employment status ~~appoint and set~~ establish the salary for Earl Fred Leaf to continue to serve as Interim Director, Los Angeles County Health Agency (UC), for the County of Los Angeles. In addition, approve Earl Fred Leaf, a retired Los Angeles County Employees Retirement Association (LACERA) member, to ~~return to work, thereby~~ suspending his retirement benefits and return to his full-time employment with the County of Los Angeles.

**IT IS RECOMMENDED THAT THE BOARD:**

1. ~~Appoint~~ Change the employment status and establish the salary for Earl Fred Leaf ~~to for~~ the position of Interim Director, Los Angeles County Health Agency (UC), at an annual salary of \$434,361.12 effective ~~January 11, 2019~~ January 17, 2019. Mr. Leaf, a currently retired employee, would be re-employed ~~January 11, 2019~~ January 17, 2019, subject to the approval of LACERA's Board of Retirement.
2. Instruct the Director of Personnel to execute an at-will employment contract for Mr. Leaf, which is approved as to form by County Counsel.



## **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

The purpose of the recommended action is to appoint a Interim Director, Los Angeles County Health Agency (UC) for the County of Los Angeles, and to set the salary for Earl Fred Leaf to function as the Interim Director, Los Angeles County Health Agency (UC). to approve the change of employment status for Mr. Leaf from a 120-day retiree to a full-time employee, and to establish the salary for Mr. Leaf as the Interim Director, Los Angeles County Health Agency (UC).

On January 9, 2018, the Board of Supervisors appointed Mr. Leaf to the position of Interim Director of the Health Agency. At that time, Mr. Leaf's employment status was a 120-day retired employee. Mr. Leaf wishes to rescind his retirement and resume permanent County employment status.

Mr. Leaf possesses over 30 years of professional experience in the County, including executive management experience in the Department of Health Services. Most recently, Mr. Leaf has been a 120-day retiree serving as the Interim Director, Los Angeles County Health Agency (UC), after the resignation of Dr. Mitchell Katz in December 2017. Preceding this, he was a 120-day retiree serving as a Senior Manager, CEO, working on a statewide replacement plan for health coverage, and the County's position on the repeal and replace health care bill entitled "American Health Care Act." Prior to those assignments, Mr. Leaf served as Supervisor Antonovich's Senior Health Policy Advisor, where he coordinated all policy matters related to the Department of Health Services, Public Health, Mental Health, and Homelessness. Additionally, Mr. Leaf successfully served as the Acting Director of Health Services, where he was responsible for the overall management and operations of the Department. As the Chief Deputy Director/Chief Operating Officer of Health Services, Mr. Leaf directed the administration of the County network of hospitals, comprehensive health centers, health centers, and network of public-private partners to ensure the provision of a broad array of health services.

~~Given Mr. Leaf's experience, it is recommended that the Board of Supervisors (Board) appoint Mr. Leaf as Director, Los Angeles County Health Agency (UC), effective January 11, 2019.~~

## **Implementation of Strategic Plan Goals**

Approval of these recommendations will further the County of Los Angeles' Strategy III.3, Pursue Operational Effectiveness, Fiscal Responsibility, and Accountability to continually assess our efficiency and effectiveness, maximize and leverage resources, and hold ourselves accountable.

## **FISCAL IMPACT/FINANCING**

The cost of the recommended salary will be absorbed within the Los Angeles County Health Agency's current budget.

## **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

The recommended salary will provide appropriate compensation to Mr. Leaf to perform the duties of Interim Director, Los Angeles County Health Agency (UC).

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LACERA is governed by the County Employees Retirement Law of 1937. This action is in compliance with Government Code Sections 31680.4 and 31680.5, pertaining to retired members returning to active membership.

Prior to 1991, retired County employees were prohibited from returning to County employment, except temporarily and under limited circumstances. Government Code Section 31680.4 now permits retirees to return to work on a permanent basis. The Board's adoption of the policy on July 6, 1993, made this Government Code provision operative in Los Angeles County.

The Board letter has been reviewed and approved as to form by County Counsel.

**IMPACT ON CURRENT SERVICES (OR PROJECTS)**

Implementation of these recommendations will provide leadership for the Los Angeles County Health Agency.

Respectfully submitted,



SACHI A. HAMAI  
Chief Executive Officer

SAH:JJ:MM:MTK  
NV:LR:mst

c: Executive Office, Board of Supervisors  
County Counsel  
Auditor-Controller Health  
Agency Human  
Resources



**CONFIDENTIAL HEALTHCARE PROVIDER'S FINDINGS REPORT**

\*Applicant Name: Eard Fred Leaf  
\*Department Name: LA County Health Dept \*Department Number: 19900  
\*Job Title: Director, Health Agency \*Item Number: 9962  
\*Email Address: \_\_\_\_\_ \*Four Digits of SSN: \_\_\_\_\_  
\*Address: \_\_\_\_\_ \*City, State: ( \_\_\_\_\_ ) \*Zip: \_\_\_\_\_  
\*Date of Birth: \_\_\_\_\_ \*Date of Evaluation: 03/15/2018  
Applicant seen at:  Westchester  Glendale  Irwindale  Other PRIVATE OFFICE  
(If Name)

The above-named applicant was evaluated in our clinic, and the following additional information was used to evaluate if this applicant is able to perform the essential functions of the position, from a medical perspective (check all that apply):

- Applicant-completed Health History Questionnaire dated yes 1/3/2019
- Respirator Questionnaire dated \_\_\_\_\_
- Essential Functions Job Analysis
- Job Description
- Other \_\_\_\_\_

Physician's determination (please initial your choice):

- The applicant has no work restrictions. The applicant is able to perform the essential functions of the position.
- I am unable to make a determination due to the following (do not list any private or protected medical information, including diagnosis, condition or treatment information):  
\_\_\_\_\_  
\_\_\_\_\_
- The applicant was issued the following work restrictions:  
\_\_\_\_\_  
\_\_\_\_\_


The work restrictions are:  Permanent  Temporary through \_\_\_\_\_ (date)

Physician's Name: Debra Zweifel-Pochmann FNP-BC  
Physician's Signature: [Signature] FNP-BC Date: 1/3/2019

**RETURN ONLY THIS PAGE TO OHP VIA FAX AT (213) 784-1713**

January 7, 2019

TO: Each Member  
Board of Retirement  
Board of Investments

FROM: Lou Lazatin   
Chief Executive Officer

FOR: January 17, 2019 Joint Meeting of the Board of Retirement and Board of Investments

SUBJECT: Memoranda of Understanding or Salary and Compensation Adjustments, SEIU, Local 721, Bargaining Units 850 and 851

If negotiations with SEIU, Local 721 have been successfully completed prior to the January 17, 2019 joint meeting, the Boards will be asked to approve Memoranda of Understanding or salary and compensation adjustments for LACERA's represented employees. Prior to discussion of this item, the terms of the MOUs or adjustments will be publicly announced.

c: Lou Lazatin  
Robert Hill  
JJ Popowich  
Jonathan Grabel  
Steven P. Rice  
John Nogales  
Annette Cleary  
Michael Cordial  
Johanna Fontenot

January 7, 2019

TO: Each Member  
Board of Retirement  
Board of Investments

FROM: Lou Lazatin   
Chief Executive Officer

FOR: January 17, 2019 Joint Meeting of the Board of Retirement and Board of Investments


SUBJECT: Salary and Compensation Adjustments for Non-Represented Employees and MAPP Classes


If negotiations with SEIU, Local 721 have been successfully completed prior to the January 17, 2019 joint meeting, the Boards will be asked to approve in open session, as stated on the agenda, adjustments for non-represented employees and Management Appraisal and Performance Plan (MAPP) classes that mirror, except as may be stated, salary and compensation adjustments granted to LACERA's represented employees. Prior to discussion of this item, the terms of the adjustments will be publicly announced.

c: Lou Lazatin  
Robert Hill  
JJ Popowich  
Jonathan Grabel  
Steven P. Rice  
John Nogales  
Annette Cleary  
Michael Cordial  
Johanna Fontenot

January 3, 2019

TO: Each Member  
Board of Retirement  
Board of Investments

FROM: Lou Lazatin   
Chief Executive Officer

Steven P. Rice   
Chief Counsel

FOR: January 17, 2019 Joint Meeting of the Board of Retirement and Board of Investments

SUBJECT: Re-Establishment of Joint Organizational Governance Committee, Election of Members to That Committee, and Dissolution of Joint Governance Review Committee

This item is agendized at the request of Mr. Bernstein. Staff reviewed the issues and now presents their recommendation and analysis below.

## **Recommendation**

That:

1. The Boards re-establish the Joint Organizational Governance Committee (JOGC) under its original August 2017 Charter, with direction to the JOGC to review the Charter and provide a recommendation to the Boards for any revisions within 90 days;
2. The Boards each elect one member to the JOGC; and
3. The Boards dissolve the Joint Governance Review Committee (JGRC), including the separate committees approved by each Board.

## **Legal Authority**

The Boards have plenary authority under the California Constitution, Article XVI, Section 17, over administration of the system. The constitutional language is broad and encompasses all actions, including policies and procedures for system governance, reasonably necessary in the exercise of the Boards' fiduciary judgment to accomplish

The County Employees Retirement Law of 1937 (CERL) provides, in Section 31525, that the Board may adopt regulations not inconsistent with other provisions of CERL. The Board of Retirement and Board of Investments have both adopted regulations that permit the Chairs to appoint committees as necessary to carry out the separate business of each Board. Neither CERL nor the Boards' regulations specifically address joint committees.

Historically, the Boards formed joint committees by joint action, including, for example, the Audit Committee, the Travel Policy Committee, and ad hoc committees for the CEO search, claim and litigation oversight, and other matters. This practice is consistent with the Boards' constitutional plenary authority. The Boards have the legal authority to form joint committees, such as the JOGC, to address joint issues.

## **History and Background of the JOGC and JGRC**

### **1. JOGC**

The JOGC was formed, and its Charter approved, by votes of both Boards at a joint meeting on August 10, 2017. The JOGC was recommended to the Boards at that time by an Ad Hoc Joint Organizational Governance Evaluation Committee, with three members from each Board, which met for several months to consider the issue. The ad hoc committee was formed based on repeated concerns expressed by members of both Boards regarding the handling of joint issues. The ad hoc committee and staff worked with an outside consultant, Funston Advisory Services, to consider joint governance, develop the parameters for the JOGC, and prepare the Charter. Total fees and expenses paid to Funston Advisory Services for development and analysis of the JOGC and preparation of the Charter were \$75,700.

The memo presented to the Boards for the August 10, 2017 meeting (without the JOGC Charter) is attached as Exhibit A. The JOGC's Charter as approved is separately attached as Exhibit B.

Under the Charter, the purpose of the JOGC was to:

- serve and facilitate the work of both Boards when the two boards' duties intersect;
- improve the combined oversight of both Boards;
- facilitate effective two-way communications and act as liaison between the Boards;
- ensure that both Boards are comfortable that their perspectives are

- properly represented;
- make recommendations, not decisions; and
- assist the Boards in resolving potential disputes effectively and at the earliest possible stage.

(JOGC Charter, Section 3, page 3.)

The areas of work within the JOGC's scope were:

- Litigation and Claims Impacting Both Boards
- Legislation Impacting Both Boards
- Staff Compensation
- Staff Classification
- Chief Executive Officer Review
- Budget
- Education and Travel
- Organizational Philosophy
- Miscellaneous Matters Impacting Both Boards

(JOGC Charter, Section 4, page 3.) The Charter contained additional detail as to the JOGC's responsibilities within each of the above categories.

The JOGC held three meetings:

August 28, 2017 – To consider closed session items relating to potential litigation and the Chief Executive Officer's performance evaluation;

October 12, 2017 – To consider various joint Board policy issues, including review and recommendation to the Boards for approval of Fiduciary Counsel Policy and the Policy Concerning Employment of LACERA Board Members (both of which were subsequently approved by both Boards); and

December 13, 2017 – To consider an RFP for CEO Executive Search Services as part of its oversight of the CEO recruitment process, a Sexual Harassment Prevention Training Policy for Board Members, broadcasting and archiving of Board and committee meetings, Chief Investment Officer and Chief Counsel reporting structures, board room upgrades, and one closed session item regarding anticipated litigation. The Sexual Harassment Prevention Training Policy and the CIO Reporting and



Performance Evaluation Policy were later approved by both Boards based on work begun by the JOGC.

At the January 30 and February 1, 2018 Board offsite meetings, the Chairs of both Boards presented a proposal to disband the JOGC and return its responsibilities to the Boards. After extensive discussion, the proposal passed. A copy of the memo provided to the Boards at the 2018 offsite in support of the proposal is attached as Exhibit C (without the JOGC Charter, which is already attached above). Following the decision, items under consideration by the JOGC when it disbanded were returned to the Boards.

A copy of a memo presented at the March 5, 2018 Board of Investments meeting and the March 15, 2018 Board of Retirement meeting showing the status of matters previously overseen by the JOGC is attached as Exhibit D.

## **2. JGRC**

The Joint Governance Review Committee (JGRC) was formed by action taken by the Board of Investments on August 8, 2018 and by the Board of Retirement on August 9, 2018.

The discussion and decisions at those meetings were prompted by a request by Mr. Kelly to reconstitute the JOGC, revise the JOGC Charter, and engage Funston Advisory Services as a consultant to perform an evaluation of the JOGC. A copy of Mr. Kelly's memo to the Board of Investments in support of his proposal is attached as Exhibit E; he submitted a similar memo to the Board of Retirement.

While Mr. Kelly's request as submitted was not approved, the Boards unanimously voted to form the JGRC to evaluate the concerns regarding the JOGC as expressed in the memo presented at the January 2018 offsite meeting (Exhibit C attached), evaluate potential solutions to the concerns, and present findings and recommendations to the Boards.

The JGRC held only one meeting on September 5, 2018, at which there was a general discussion concerning concerns about the JOGC and the committee members' views on governance of joint issues. The JGRC directed that staff return with a section-by-section analysis of the original JOGC Charter, and staff recommendations. A second meeting was noticed for October 10, 2018. Staff recommended that the meeting be postponed until after the new Chief Executive Officer was hired and could participate in the discussion. Without objection, the second meeting did not proceed.

### **Concerns Expressed Regarding the JOGC**

Without intending to foreclose other concerns, the primary concerns that have been expressed regarding the JOGC include:

- The JOGC adds a layer of bureaucracy which makes the Boards less nimble because of the need for JOGC review of an issue before going to the Boards, which is compounded by difficulties in scheduling JOGC meetings.
- The JOGC creates additional work for the Board members who serve on it.
- Most of the Board members also attend the JOGC meetings, so it becomes the equivalent of another full Board meeting but without the ability to take action because the JOGC can only make recommendations.
- The JOGC imposes additional burdens on staff to support and prepare for another committee meeting.
- The JOGC lengthens the work cycle on certain projects (such as the budget, for example) because of the need for JOGC review before an item can be taken to the Boards.
- The responsibilities of the JOGC can be handled in other, more efficient ways, such as ad hoc committees and joint Board meetings. In addition, the JOGC does not eliminate the need to have ad hoc committees as the best method to address certain issues.
- The Boards have an existing Policy on Joint Meetings that may be invoked by the CEO, Chairs, and any individual member when there is a need for the Boards to convene together to discuss matters of mutual concern.

### **Benefits of the JOGC**

Without intending to foreclose other advantages, the primary benefits that have been expressed regarding the JOGC include:

- The JOGC provides a needed vehicle and forum to discuss and develop recommendations on common issues. Important joint Board issues arise frequently, and it is necessary and appropriate to have a formal vehicle in place to address them.
- The JOGC's history shows that it was successful in making substantial progress in facilitating completion and implementation of joint Board projects regarding policies, closed session items, and other matters.
- The JOGC's membership selection process is clear and inclusive.
- The JOGC is transparent to Board members and the public because it is

- subject to the Brown Act, whereas ad hoc committees are not.
- The JOGC operates under well-defined processes and powers, as stated in the JOGC Charter. Ad hoc committees do not have defined, consistently applied procedures, and therefore they dilute the Boards' authority over final actions.
  - Implementation of ad hoc committees as a replacement for the JOGC on certain issues in 2018 resulted in questions and concerns regarding representation of trustees on ad hoc committees, the quality and completeness of communication to trustees, and the ad hoc committees' discussions and deliberations.
  - Ad hoc committees can cause operational inefficiencies and do not reduce the need for or number of joint Board meetings.

### **Staff Evaluation and Analysis**

Staff believes that it is helpful to have clear processes and procedures for the Boards' handling of joint issues. There are four main alternatives:

***First, ad hoc committees.*** Ad hoc committees are a useful tool expressly permitted by the Brown Act. Such committees are appropriate in certain situations. However, when overused, ad hoc committees generate questions that can complicate, obfuscate, and delay Board decisions. Staff does not believe the Boards should rely on ad hoc committees as the norm for joint governance issues. Instead, ad hoc committees should be reserved, as is the intent of the Brown Act, for special circumstances where there is a particular need for the nimbleness and confidentiality provided by such committees. Joint issues will usually be best addressed in a noticed meeting under the Brown Act, where the items for open and closed session are clearly identified for the benefit of Board members, the public, and other stakeholders.

***Second, separate Board meetings.*** The Boards can consider joint issues at their regular separate meetings. This approach creates the risk that the Boards will not agree, thereby resulting in potential unnecessary disagreement, inaction, delay, and inefficiency on matters that require decisions by both Boards. Further, when joint issues are discussed in separate meetings, Board members are deprived of the opportunity to hear the views of their counterparts on the other Board. Separate deliberation and action seems at odds with the concept of joint issues, which by definition are *joint*, belong to both Boards, and should be discussed and acted upon through a mechanism that, from inception of the consideration of a joint issue, includes both Boards.

***Third, joint meetings of the full Boards.*** Joint issues can be taken directly to a full meeting of both Boards. The Boards have a Policy on Joint Meetings which describes various means for calling a joint meeting. Staff continues to support that Policy. Using joint meetings as the standard approach for joint issues has advantages of inclusiveness and, perhaps, speed in that the members of both Boards can together deliberate and act on such matters. However, staff believes that a standardized joint meeting approach could lead to inefficiency if applied to all joint issues because it loses the benefits of having matters, which are often complex, first considered by a committee. The committee alternative is discussed in the next section of this memo. Staff emphasizes that this analysis does not undermine the need for the Policy on Joint Meetings, which should continue to be available to be used when appropriate according to its terms, particularly with respect to issues that are not recurring.

***Fourth, a joint committee, or JOGC.*** In staff's view, a joint committee, such as the JOGC, can be an effective means of handling defined joint issues, particularly those which repeat on an annual basis or are process-driven, such as strategic planning, budget, personnel and salaries, and joint policies, like the Education and Travel Policy and the other examples discussed above. A joint committee allows members of both Boards to meet, discuss, and formulate recommendations on issues of common concern to both Boards. A well-functioning joint committee will aid the Boards in presenting recommendations that can be acted upon by consent, or with more focused discussion than would be the case if issues were presented to the full Boards from inception. To be effective, such a committee must have well-defined areas of responsibility and processes, and most importantly, must have the trust of all members. All Board members may attend committee meetings and participate in discussion, but only committee members may vote. It is not expected that all Board members will attend committee meetings. Importantly, the meeting schedule for a joint committee should take into account staff time so as not to burden staff with additional or prolonged processes. The committee system is well-established at LACERA and is employed by both Boards to prescreen issues and formulate recommendations for the full Boards, which thereby facilitates greater efficiency at full Board meetings. While staff concurs that committees should be carefully evaluated and not overused, they can be a powerful way of leveraging Board members' time in discussing and deciding important issues.

Taking into account the pros and cons of each alternative as discussed above, and also considering the experience provided by the last year, staff supports the use of a

committee to address joint governance issues assuming: (1) its areas of responsibility are well-defined, recurring, and process driven; (2) the committee schedule is developed in conjunction with the Board meeting schedule and other Board-level processes that will confirm the committee's contribution to Board efficiency, including, for example, a reduced number of full Board meetings or streamlined full Board meetings; (3) the committee schedule and processes do not burden staff by requiring duplicative work or prolonging staff's calendar for their side of issues, such as planning and budget; and (4) it has the trust of the Boards, which will be furthered by fair committee procedures, particularly the member selection process.

In staff's view, the current Charter should be reviewed and revised with attention to the four goals listed in the preceding paragraph. If the JOGC is reconstituted, one of its first items of business should be a review of the current Charter and development of a recommendation for approval of a revised Charter by the full Boards. This task should be completed on expedited basis, which staff recommends not exceed 90 days. The committee should be flexible on its schedule in the first year (for example, staff's 2019-2020 budget process is already well underway) so as not to impact staff and give staff plenty of time to prepare to comfortably comply with the committee process. Further, staff does not believe a consultant is needed to review the Charter. The committee members and staff, including fiduciary counsel if requested by the committee or Boards, have the knowledge and expertise to complete this work.

If the Boards concur with staff's recommendation as stated in this memo, each Board will need to elect one member of the JOGC as provided in the current Charter. The other members will include the Chair and Vice Chair of each Board, one member appointed by the Chair of the BOR, and one member appointed by the Chair of the BOI, for a grand total of eight members. (JOGC Charter, Section 8, page 7.)

Finally, while the JGRC did not complete its mandate, staff believes that it will be more efficient to disband the JGRC and proceed with review of the Charter through the JOGC itself, rather than through a separate committee. This recommendation is further by the fact that the JGRC only had one meeting and therefore does have a significant investment of time in the project. Further, the membership of the JGRC, like that of all committees, may change depending on the 2019 Board officer elections.

### **Conclusion**

For the reasons set forth above, staff recommends that:

1. The Boards re-establish the JOGC under its original August 2017 Charter, with

the direction to the JOGC to review the Charter and provide a recommendation to the Boards for any revisions within 90 days;

2. The Boards each elect one member to the JOGC; and
3. The Boards dissolve the JGRC, including the separate committees approved by each Board.

#### Attachments

c: Robert Hill  
John Popowich  
Jonathan Grabel  
All Other Division Managers

# **EXHIBIT A**

**August 1, 2017 Board Memo re  
Formation of JOGC**



August 1, 2017

TO: Each Member  
Board of Retirement  
Board of Investments

FROM: Ad hoc Joint Organizational Governance Evaluation Committee  
Board of Retirement                      Board of Investments  
Shawn Kehoe, Committee Chair        David Green, Committee Vice Chair  
Alan Bernstein                              Herman Santos  
Vivian Gray                                 Ronald Okum

FOR: Joint meeting of the Board of Retirement and Board of Investments  
on August 10, 2017

SUBJECT: **Joint Organizational Governance Committee Charter**

### **RECOMMENDATION**

The Ad hoc Joint Organizational Governance Evaluation Committee recommends:

1. The Board of Retirement and the Board of Investments adopt the Joint Organizational Governance Committee Charter, and
2. The Board of Retirement and the Board of Investments each elect a member to the Joint Organizational Governance Committee.

### **EXECUTIVE SUMMARY**

LACERA is fortunate to have two Board level leadership teams overseeing the organization. The Board of Retirement is responsible for the overall management of the retirement association, its benefit programs, and the LACERA administered Retiree Healthcare Benefits Program. The Board of Investments is responsible for determining LACERA's investment objectives, strategies, and policies, exercising authority and control over the investment management, the actuarial valuation funding process used to set retirement benefit contribution rates, as well as investing and managing the Other Postemployment Benefits Program trust assets.



This dual Board structure also includes statutorily shared responsibilities for personnel and budget matters, and structurally shared responsibilities for matters concerning both Boards, such as Board member education and travel programs, legislation, and certain litigation and disputes.

To facilitate the Boards addressing their shared responsibilities and other matters of mutual interest, it is recommended the Boards consider using a joint standing committee comprised of members from both Boards to evaluate, manage, and make recommendations for each Board's action. This new standing committee would be advisory to each Board and assume the responsibilities currently addressed by the Education and Travel Committee and the CEO Performance Committee.

Attached for each Board's consideration is a draft committee charter to create a new standing committee titled the "Joint Organizational Governance Committee" and a recommendation for each Board to elect a committee member.

## **DISCUSSION**

The Board of Retirement and the Board of Investments chairs each appointed an ad hoc committee to work together to explore creating a new joint standing committee comprised of members from both boards to evaluate the best manner to facilitate the work of both Boards when the two Boards' duties intersect.

These ad hoc committees, working together as the Ad hoc Joint Organizational Governance Evaluation Committee, have completed their work and jointly present a draft Joint Organizational Governance Committee Charter for each Board's consideration.

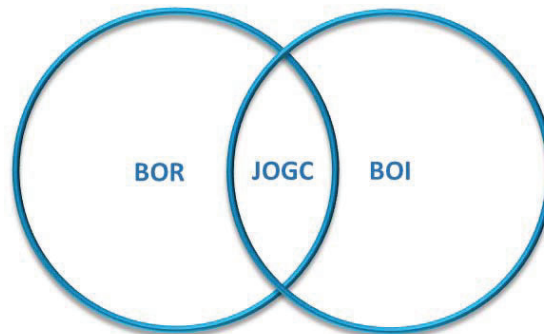
Adopting the proposed charter will create a LACERA standing committee that is subject to Brown Act regulations with the responsibility to review and make recommendations to each Board on business items of common interest and responsibility.

The scope of the Joint Organizational Governance Committee is proposed to include:

1. Reducing Disputes Between Boards
2. Litigation and Claims Impacting Both Boards
3. Legislation Impacting Both Boards
4. Staff Compensation
5. Staff Classification
6. Chief Executive Officer Review

7. Budget
8. Education and Travel
9. Organizational Philosophy
10. Miscellaneous Matters Impacting Both Boards

The Joint Organizational Governance Committee (JOGC) will only make recommendations to each Board on matters that intersect and affect both the Board of Retirement (BOR) and the Board of Investments (BOI); final action can only be taken by the Boards themselves. The following figure visually highlights the Committee's role to facilitate the work of both Boards when the Boards' duties intersect.



The Joint Organizational Governance Committee will include four members from each Board, for a total of eight committee members with no designated alternates. A Committee quorum will exist when a majority of the eight members is present. Committee membership will include the Chair and Vice Chair from each Board, a member appointed by each Board Chair, and a member elected by each Board. It is recommended the Boards each elect a committee member upon adopting the Joint Organizational Governance Committee Charter. Future Joint Organizational Governance Committee member elections will be held at the beginning of the calendar year when the Boards elect their officers and Audit Committee members.

It is expected the Committee will meet five times per year with meeting dates alternating between scheduled Board of Retirement and Board of Investments meetings, and as needed.

### **LEGAL AUTHORITY**

The California Government Codes 31525 and 31526 provide the Board of Retirement and the Board of Investments the authority to define its own regulations for the election of officers, their terms, meetings, and all other matters relating to the administrative

procedures of the Board as approved by the Board of Supervisors. The Board of Retirement regulations and the Board of Investments Bylaws provide the respective Board Chairs the delegated authority to appoint committees as deemed necessary to carry out the business of the Board. The Board of Supervisors adopted the current Board of Retirement regulations on May 5, 2015. The Board of Investments Bylaws are being reviewed, amended, and retitled to regulations and will be presented to the Board of Investments and the Board of Supervisors for approval in 2017. The proposed Joint Organizational Governance Committee Charter is harmonious with existing Board regulations, bylaws, and charters. Because the Committee will include members of both Boards and make recommendations regarding matters relating to both Boards, it must be formed by action of both Boards.

**Therefore, the Ad hoc Joint Organizational Governance Evaluation Committee recommends:**

1. The Board of Retirement and the Board of Investments adopt the Joint Organizational Governance Committee Charter, and
2. The Board of Retirement and the Board of Investments each elect a member to the Joint Organizational Governance Committee.

GR:nm

Draft Committee Charter to the Boards August 2017v3.docx

Attachment

# **EXHIBIT B**

August 10, 2017 Board-Approved  
JOGC Charter



# LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Joint Organizational Governance Committee Charter

Adopted by Board of Retirement on August 10, 2017  
Adopted by the Board of Investments on August 10, 2017

V9

**LACERA**  
**Joint Organizational Governance Committee Charter**

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**LACERA**  
**Joint Organizational Governance Committee Charter**

## 1 Overview of the LACERA Board of Retirement and the Board of Investments

In 1937, Los Angeles County (County) established a pension trust fund (Fund) to provide defined retirement and death benefits to eligible County employees to be governed by the County Employees Retirement Law of 1937. In 1938, the Los Angeles County Employees Retirement Association (LACERA) was formed to administer the Fund. Since 1971, LACERA has also administered the Retiree Healthcare Benefits Program for the County and outside districts, through contractual agreements with the County.

LACERA is an independent governmental entity. LACERA is the largest county retirement system in America. LACERA is funded by the County, participating employers, employees, and investment earnings.

LACERA is governed by two Boards. Both Boards include a mix of trustees which are appointed and elected members and an ex-officio member, the sitting County Treasurer and Tax Collector. The Board of Retirement (BOR) is responsible for the overall management of the retirement system and the LACERA-administered Retiree Healthcare Benefits Program. The Board of Investments (BOI) is responsible for determining LACERA's investment objectives, strategies, and policies, as well as exercising authority and control over the investment management of the Fund. The BOI also invests and manages the Other Postemployment Benefits Program (OPEB) trust assets for participating employers. In addition, the BOI is responsible for obtaining actuarial valuations that serve as the basis for setting employer and employee contribution rates required to fund the system.

LACERA is a public pension system created in accordance with the County Employees Retirement Law of 1937 (the '37 Act or CERL) and administered pursuant to the '37 Act and the California Public Employees' Pension Reform Act of 2013 (PEPRA). CERL Section 31520 provides that "Except as otherwise delegated to the board of investment and except for the statutory duties of the county treasurer, the management of the retirement system is vested in the board of retirement." CERL Section 31520.2(b) provides that "The board of investments shall be responsible for all investments of the retirement system." The BOR and BOI have joint authority over certain shared responsibilities, including: the appointment and evaluation of the Chief Executive Officer (CEO) (CERL Section 31522.2); classification and compensation of personnel (CERL Sections 31522.1, 31522.4); adoption of LACERA's administrative budget (CERL 31580.2(a)); other matters as specified in CERL, including but not limited to CERL Section 31459.1 defining the term "Board" used in CERL; and as described in this Charter.

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**Joint Organizational Governance Committee Charter**

## 2 Purpose of this Document

The purpose of this document is to describe:

- the purpose, scope, responsibilities, meetings, and structure of the Joint Organizational Governance Committee (JOGC);
- the specific terms of reference for the JOGC;
- the committee’s membership and leadership; and
- meeting frequency and dates.

## 3 Purpose of the JOGC

The purpose of the JOGC is to:

- serve and facilitate the work of both Boards when the two boards duties intersect;
- improve the combined oversight of both Boards;
- facilitate effective two-way communications and act as liaison between the Boards;
- ensure that both Boards are comfortable that their perspectives are properly represented;
- make recommendations, not decisions; and
- assist the Boards in resolving potential disputes effectively and at the earliest possible stage.

## 4 Scope

The scope of the JOGC includes:

- Litigation and Claims Impacting Both Boards
- Legislation Impacting Both Boards
- Staff Compensation
- Staff Classification
- Chief Executive Officer Review
- Budget
- Education and Travel
- Organizational Philosophy
- Miscellaneous Matters Impacting Both Boards



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**Joint Organizational Governance Committee Charter**

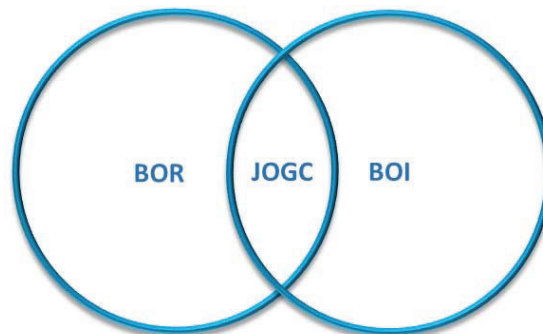
## 5 Powers Reserved for the BOR and BOI

The BOR reserves for itself all powers related to retirement benefit, disability and healthcare policy, legislation, litigation, operations, and administration, except as defined in its Board Charter and as described in this Charter.

The BOI reserves for itself all powers related to investment policy, legislation, litigation, operations, and administration, and actuarial valuations, except as defined in its Board Charter and as described in this Charter.

## 6 Authority

The JOGC will only make recommendations to each Board on matters that intersect and affect both the BOR and BOI as described in Section 7, Responsibilities of this Charter. The following figure visually highlights the JOGC role to facilitate the work of both Boards when the Boards' duties intersect.



## 7 Responsibilities

### 7.1 Litigation and Claims

Oversee and make recommendations about Litigation and Claims that, in the judgment of the Board Chairs, the Chief Executive Officer, or Chief Counsel, raise Unusual and Material Risks to the organization. Unusual and Material Risks may include Litigation and Claims making allegations of

- (1) legal theories,
- (2) conduct by LACERA, the Board, Board members, staff, members, vendors, or other third-parties,

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- (3) an amount or type of damages, or
- (4) potential adverse reputational impact or publicity,

that are beyond the type of Litigation or Claims that each Board is generally expected to separately manage, as stated below. Unusual and Material Risks may include Litigation and Claims by or against or concerning the conduct of the Chief Executive Officer and those reporting directly to him. They may also include any other Litigation and Claims, including ones that each Board is generally expected to separately manage, that the Board Chairs, the CEO, or Chief Counsel reasonably believe justify the involvement of this Committee because of mutual interest and concern to both Boards.

Litigation and Claims are defined as court actions, pre-litigation demands or claims, potential court actions, demands, or claims, and other forms of dispute resolution, such as arbitration and mediation.

Each Board is generally expected to separately manage:

- (1) As to the Board of Retirement, Litigation and Claims relating to the regular course of business regarding retirement, disability, and healthcare benefits, all LACERA personnel (other than the Chief Executive Officer and those reporting directly to him), and the general operations and administration of the retirement system and the OPEB plan,
- (2) As to the Board of Investments, Litigation and Claims relating to the regular course of business regarding investments, actuarial services, and the OPEB Trusts, and
- (3) Litigation and Claims concerning contracts approved only by that Board.

## **7.2 Legislation**

Make recommendations about Legislation that impacts both Boards.

## **7.3 Staff Compensation**

Make recommendations related to all types of compensation and compensation policy for:

- Union represented employees, including overseeing the collective bargaining agreements
- Non-represented employees
- Management employees

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Administration of the Chief Audit Executive's compensation using the Boards' established compensation structure is reserved to the Audit Committee.

#### **7.4 Staff Classification**

Make recommendations to create all new staff classifications.

#### **7.5 Chief Executive Officer**

- Should a vacancy occur, conduct the initial search for the CEO and produce a short-list of recommended candidates to each Board (supported by a search consultant)
- Oversee the CEO evaluation and provide timely feedback based on input from all Board members
- Recommend CEO compensation
- Oversee CEO succession planning
- Any other issues related to oversight of the CEO not rising to the level of a joint meeting

#### **7.6 Budget**

Oversee the Administrative and Retiree Healthcare budgets according to the following process:

- Staff develop preliminary budget plan in February
- The budget's preliminary budget plan is presented to JOGC in March
- Draft budget package is presented to JOGC in April for release to the Boards
- Budget hearings are held in May
- Proposed budget package is presented to each Board for approval at the Board's June meeting
- The JOGC will provide on-going oversight of the budget-to-actual results during the fiscal year

#### **7.7 Education and Travel**

Oversee and make recommendations with respect to the:

- Education and Travel Policy according to its terms
- Other training issues relevant to both Boards as needed

#### **7.8 Organizational Philosophy**

Make recommendations regarding LACERA:

- Mission statement

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- Values
- Vision
- Strategic planning
- General engagement

### **7.9 Miscellaneous Matters**

Miscellaneous matters, including dispute resolution between the Boards and its members, that may need to be brought before the JOGC will be determined on a case by case basis by the respective Board Chairs and the Chair of the JOGC in consultation with the CEO. Additionally, miscellaneous matters may be brought before the JOGC by any JOGC member.

## **8 Membership, Quorum, and Rules**

There will be eight (8) members with no designated alternates. The JOGC will be comprised of the BOR and BOI Chairs and Vice-Chairs plus one member appointed by each Chair and one member elected by each Board. If there is one JOGC member who represents both Boards (one overlap), then an additional appointment will be made by the BOR Chair in even years and by the BOI Chair in odd years. If there is more than one overlap, the BOR and BOI Chairs will make an equal number of additional appointments; if there are an odd number of overlaps, the final appointment, after the Board Chairs make their separate appointments, will be made following the rule as stated in the preceding sentence that applies in the case of one overlap.

A quorum exists when a majority of the members are present, without regard to the Board from which individual members were appointed.

The JOGC is subject to the Ralph M. Brown Act (Brown Act), and its meetings will be noticed, agendaized, and conducted in accordance with the Brown Act. The JOGC may meet in closed session as provided in the Brown Act.

Robert's Rules of Order will also apply in the JOGC's meetings. A motion may be made or seconded by any member. A motion passes if a majority of the members present, without regard to the Board from which they were appointed, vote in favor of the motion.

## **9 Leadership**

The Chair and Vice Chair of the JOGC will be elected by members of the JOGC at the first meeting of each year.

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## 10 Meeting Frequency and Dates

### 10.1 Frequency

The regular meeting schedule will be established at the first meeting of each year. Generally, the meeting schedule will be March, April, June, September, and December. Special meetings may be called as needed in accordance with the Ralph M. Brown Act.

### 10.2 Dates

Meetings will alternate between scheduled BOR and BOI meetings, and as needed.

## 11 Elimination of Certain Committees

With the establishment of the JOGC, the following committees will be eliminated:

- CEO Performance Committee
- Education and Travel Committee

## 12 Charter Review

The BOR and BOI shall review and update this Charter at least once every three years.

This Charter was adopted by the Board of Retirement on August 10, 2017 and by the Board of Investments on August 10, 2017.

# EXHIBIT C

January 24, 2018 Board Memo re  
Disbanding JOGC

January 24, 2018

TO: Each Member,  
Board of Retirement

Each Member,  
Board of Investments

FROM: Steven P. Rice *SPR*  
Chief Counsel

Harvey L. Leiderman, Reed Smith LLP  
Fiduciary Counsel

FOR: January 30, 2018 and February 1, 2018  
Board of Retirement and Board of Investments Offsite Meetings

SUBJECT: Dissolution of Joint Organizational Governance Committee

## **RECOMMENDATION**

The Chairs of the Board of Retirement (BOR) and Board of Investments (BOI) (Boards) recommend that the Boards dissolve the Joint Organizational Governance Committee (JOGC), terminate its Charter and the Boards' prior delegation of duties to the JOGC, and rescind their September 11, 2017 action directing that the JOGC conduct the Chief Executive Officer (CEO) recruitment. The former responsibilities of the JOGC will return to the Boards and their duly created committees for actions appropriate on a case-by-case basis, in accordance with applicable law and LACERA policy.

## **LEGAL AUTHORITY**

The Boards have "plenary authority" over the administration of the system under Article XVI, Section 17 of the California Constitution. Under the Constitution and Section 31595 of the California Government Code, such authority shall be exercised "solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system." The Boards shall act "with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims."

The Boards' authority and responsibility include the ability to adopt such governance policies, procedures, and processes, as the Boards deem appropriate in their discretion.

Approval by the Boards of the recommendation to dissolve the JOGC as set forth in this memo is consistent with, although not required by, the Boards' authority and responsibility. The Boards may appropriately and lawfully exercise their authority and responsibility by taking reasonable action with respect to the dissolution, maintenance, or modification of the JOGC.

## **BACKGROUND**

### ***A. The Legal Responsibilities of the Boards.***

Under the County Employees Retirement Law of 1937 (CERL), Cal. Gov't Code §§ 31450, et seq., LACERA has two Boards – a Board of Retirement and a Board of Investments.

Section 31520 of CERL provides, "Except as otherwise delegated to the board of investment and except for the statutory duties of the county treasurer, the management of the retirement system is vested in the board of retirement." Section 31520.2(b) provides, "The board of investments shall be responsible for all investments of the retirement system." The BOR and BOI have joint authority over certain shared responsibilities, including: the appointment and evaluation of the CEO (Section 31522.2); classification and compensation of personnel (Sections 31522.1, 31522.4); adoption of LACERA's administrative budget (Section 31580.2(a)); and other matters as specified in CERL, including but not limited to Section 31459.1 defining the term "Board" as used in CERL.

Because certain of the Boards' responsibilities overlap under CERL as described above and because there are other matters of mutual interest that arise from time to time relating to the administration of the system, the Boards need to work together on issues. CERL does not address how the Boards should collaborate.

### ***B. Historical Process for Collaboration and Joint Action by the Boards Before the JOGC Was Formed.***

For many years before the JOGC, the Boards collaborated in four main ways. First, the Board established the Audit Committee, the Travel Policy Committee, and the CEO Performance Committee as standing joint committees. Second, sometimes, each Board separately debated and separately acted on the same subject matter, thereby resulting in joint action. Third, on other occasions, joint meetings of the Boards would take place. Fourth, in some circumstances, the Board Chairs appointed joint ad hoc committees to address issues of mutual interest.



While these four approaches generally worked well, Board members from time to time expressed concern that there was not a formal and consistent process.

In response to these concerns, in September 2016, staff presented, and both Boards adopted, a Policy on Joint Meetings. The Policy on Joint Meetings defined issues of joint concern and established a formal procedure by which the Chairs or individual Board members could call a joint meeting. A copy of the Policy on Joint Meetings is attached as Exhibit A. The policy remains in effect. Staff believes this policy continues to provide a sound procedure for the use of joint meetings.

### ***C. Creation of the JOGC.***

In early 2017, the Board Chairs at the time discussed the idea of forming a JOGC as a means of developing consensus and making recommendations to the Boards on joint issues. The Chairs formed an Ad Hoc Joint Organizational Governance Evaluation Committee of representatives from both Boards to discuss the feasibility of the JOGC and prepare a Charter for presentation to the Boards. The Ad Hoc Evaluation Committee held several meetings in April, May, and June 2017. The Committee worked with Funston Advisory Services as a consultant to prepare the JOGC Charter.

At a joint meeting of both Boards on August 10, 2017, the Ad Hoc Evaluation Committee presented its recommendation that the Boards adopt the JOGC Charter. Both Boards voted to adopt the Charter. A copy of the JOGC Charter is attached as Exhibit B.

Under the Charter, the JOGC has eight members: the Chair and Vice Chair of each Board; one member appointed by the Chair of each Board; and one member elected by each Board. (Charter, Section 8, page 7.) The JOGC generally meets five times per year, with special meetings as needed. (Charter, Section 10.1, page 8.) The JOGC is responsible to address the following subject matters:

- Litigation and Claims that raise Unusual and Material Risks to the organization. (Charter, Section 7.1, pages 4-5.)
- Legislation on issues that affect both Boards. (Charter, Section 7.2, page 5.)
- Staff compensation. (Charter, Section 7.3 pages 5-6.)
- New staff classifications. (Charter, Section 7.4, page 6.)

- Chief Executive Officer oversight, including search, evaluation, compensation, and succession planning. (Charter, Section 7.5, page 6.) The JOGC replaced the previous CEO Performance Committee. (Charter, Section 11, page 8.)
- Budget oversight. (Charter, Section 7.6, page 6.)
- Education and travel, replacing the previous Travel Policy Committee. (Charter, Section 7.7, page 6; Section 11, page 8.)
- Organizational philosophy. (Charter, Section 7.8, pages 6-7.)
- Miscellaneous matters that affect both Boards, including dispute resolution between the Boards and their members. (Charter, Section 7.9, page 7.)

#### ***D. Implementation of the JOGC.***

After its formation, the JOGC held meetings on August 28, 2017, October 12, 2017, and December 13, 2017.

In these meetings, the JOGC developed the Fiduciary Counsel Policy, the Policy Concerning Employment of LACERA Board Members, and the Sexual Harassment Prevention Training Policy for LACERA Board Members. All three of these policies were adopted by the Boards.

The JOGC also discussed certain other issues, including the Chief Investment Officer and Chief Counsel reporting structures, broadcasting of Board meetings, and boardroom technology and branding. No formal actions or recommendations have been made on these issues.

In addition, on September 11, 2017, the Boards voted to direct the JOGC to conduct the CEO search process. In exercise of that authority, the JOGC approved the Request for Proposal (RFP) for Executive Search Services for the CEO recruitment. The RFP is expected to be completed, and a recruiter selected, in February 2018.

#### ***E. Review and Evaluation of the JOGC.***

Following the Board elections in January 2018, the new Chairs reviewed and discussed the JOGC and how it fits into LACERA's governance and goals. Based on their evaluation, the Chairs decided to make a recommendation to the Boards to dissolve the

JOGC. The reasons for the Chairs' recommendation are stated in the next section of this memo. In developing their recommendation, the Chairs conferred with LACERA executive and legal staff and outside fiduciary counsel.

## **DISCUSSION**

### ***A. Reasons for the Chairs' Recommendation to Dissolve the JOGC.***

The Chairs have indicated they believe the JOGC should be dissolved for the following reasons:

1. The JOGC adds a layer of bureaucracy and delay to the operation of the Boards that makes LACERA less nimble by requiring that issues go through the committee before reaching the Boards for decision. Scheduling JOGC meetings has also proven problematic. Dissolution of the JOGC will make the Boards more efficient.
2. The JOGC creates additional work for the eight Board members on the committee, including the Board Chairs and Vice Chairs, which diverts their attention from providing leadership to the Boards themselves.
3. The JOGC imposes additional burden on staff to support and prepare for additional committee meetings. For example, by requiring that the annual administrative budget go through the JOGC instead of directly to the Boards, administrative staff has found that the JOGC adds another month of work to the already lengthy and comprehensive budget preparation process.
4. Based on attendance at JOGC meetings to date, many Board members who are not on the committee nevertheless attend JOGC meetings so that they can participate in the discussion.
5. The important responsibilities of the JOGC can be filled through other existing and more efficient processes. For example:
  - a. The CEO search process could easily be handled by an ad hoc search committee, instead of the JOGC. An ad hoc committee would not be subject to the Brown Act, and would actually be a better mechanism for handling the critical timing and confidentiality of an executive search process and to conduct initial screening interviews. Ultimately, the Boards

themselves will vote on the hiring in a manner compliant with the Brown Act.

- b. The annual CEO evaluation can be handled through a joint Board meeting.
  - c. The budget process has historically worked well without the JOGC. The addition of the JOGC adds time and complexity. Historically, LACERA has always scheduled budget hearings open to both Boards. To the extent discussion among the Boards is required (which has not been a need in the past), a joint meeting can be held.
  - d. The Education and Travel Policy can be handled by reestablishing the Travel Policy Committee, or perhaps better by simply taking proposed policy changes directly to the Boards to avoid the problem of obtaining a quorum for a joint committee.
  - e. Unusual litigation of joint interest to the Boards can be handled through ad hoc committees. This process has worked effectively to manage major litigation during the past few years.
  - f. Legislation concerning both Boards, which rarely arises, can be addressed through an ad hoc committee.
6. The Boards have an existing Policy on Joint Meetings that can be invoked by the Chairs and any individual Board member when there is a need for the Boards to discuss an issue together.

The Chairs recognize the good intentions behind the JOGC, which were motivated by a desire to enhance communication and decision-making on joint Board issues. The Boards have now tried the JOGC for several meetings. For the reasons set forth above, the Chairs believe that the JOGC is not the best mechanism to govern joint issues. Other tools, such as ad hoc committees and joint Board meetings, already exist and can be used when necessary. The Chairs do not perceive any “cons” to dissolving the JOGC. The Chairs understand that they will have to have good communication with each other to discuss pending issues and manage those that are of joint concern in an efficient and effective way tailored to specific matters that arise.

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***B. Staff's View.***

LACERA staff, including the executive and legal teams, as well as all other parts of the organization, are prepared to support whatever governance model the Boards adopt. Staff functioned within the JOGC model, although it did add additional work and some inefficiencies. Staff supported the JOGC model when it was adopted by the Boards in 2017. However, staff would also be able to effectively support the Boards and LACERA without the JOGC, as staff did before the JOGC was formed. Staff has been sensitized to the need to proactively anticipate issues of joint Board interest and recommend appropriate processes to the Boards when required.

Joint meetings and ad hoc committees are the main vehicles open to address issues of mutual interest. The Boards have a sound Policy on Joint Meetings that was recently adopted in September 2016. Ad hoc committees are permitted under the Board of Retirement Regulations, the Board of Investments Bylaws, and the Brown Act. Joint issues may also be taken separately to the two Boards, accompanied by proper advance communication between the Chairs and staff.

In the final analysis, taking all relevant considerations into account, the Interim Chief Executive Officer, Chief Counsel, and outside fiduciary counsel, Harvey Leiderman, support the Chairs' current recommendation. The Boards' staff and fiduciary counsel do not believe that dissolution of the JOGC will hamper the ability of the Boards to perform their fiduciary responsibilities and effectively administer LACERA. The choice between "JOGC" and "no JOGC" is a question of discretion for the Boards in determining the governance process that best fits the Boards' needs and duties. There is no right or wrong choice from a governance or fiduciary perspective, so long as the chosen structure permits the Boards to prudently administer the system in a timely manner.

**CONCLUSION**

For the foregoing reasons, and based on the information provided above, the Board Chairs recommend that the Boards dissolve the JOGC, terminate its Charter and the Boards' prior delegation of duties to the JOGC, and rescind their September 11, 2017 action directing that the JOGC conduct the CEO recruitment. The former responsibilities of the JOGC will return to the Boards and their duly created committees for actions appropriate on a case-by-case basis, in accordance with applicable law and LACERA policy.

Attachments

Each Member, Board of Retirement and Board of Investments  
Re: Dissolution of Joint Organizational Governance Committee  
January 24, 2018  
Page 8

c: Robert Hill  
James Brekk  
John Popowich  
Bernie Buenaflor  
Richard Bendall  
Fern Billingsy  
Frank Boyd  
Johanna Fontenot  
Michael Herrera  
Christine Roseland  
Harvey L. Leiderman

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

**I. INTRODUCTION**

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

**II. DEFINITIONS**

For purposes of this policy, the following definitions apply:

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

**III. PROCEDURES**

**A. Methods of Requesting a Joint Meeting.**

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

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

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

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

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

**B. Meeting Process.**

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

**C. Discussion and Action.**

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

Adopted: Board of Investments, September 14, 2016  
Board of Retirement, September 15, 2016




# **EXHIBIT D**

**February 23, 2018 Board Memo re  
Status of JOGC Projects**

February 23, 2018

TO: Each Member  
Board of Investments  
Board of Retirement

FROM: Robert R. Hill   
Interim Chief Executive Officer

FOR: March 5, 2018 Board of Investments Meeting  
March 15, 2018 Board of Retirement Meeting

SUBJECT: **Status and Plan for Joint Organizational Governance Committee Items**

Below is a list of items that were before the Joint Organizational Governance Committee when it was dissolved, and the plan for their resolution:

	<b>Item</b>	<b>Status and Plan</b>
1	Conduct CEO Search	The Board Chairs appointed an ad hoc committee of the Chairs and Vice Chairs of both Boards to manage the selection process; frequent updates will be provided to the Boards by the Interim CEO.
2	CIO Reporting Structure	This item will be presented to both Boards for discussion and action at a joint Board meeting in April 2018.
3	Chief Counsel Reporting Structure	This item will be presented to both Boards for discussion and action at a future date.
4	Travel Policy Review	This item will be presented to both Boards for discussion and action at a joint Board meeting in April 2018.
5	Broadcasting of Board Meetings	This item will be presented to both Boards for discussion and action at a joint Board meeting at a future date.
6	Revision of Boards' Sexual Harassment Policy	This item will be presented to both Boards for discussion and action at a joint Board meeting in April 2018.
7	Boardroom Technology	Staff will engage both Boards as appropriate.

c: James Brekk                      Bernie Buenaflor                      Steven P. Rice  
John Popowich                      Jon Gabel                      Johanna Fontenot

# **EXHIBIT E**

**July 31, 2018 BOI Memo from Mr. Kelly  
re JOGC Proposal**

Joseph Kelly  
500 West Temple Street, Suite 437  
Los Angeles, CA 90012

July 31, 2018

The Board of Retirement  
The Los Angeles County Employee Retirement Association  
300 North Lake Avenue  
Pasadena, CA 91101

Attention: Ms. Bonnie Nolley, Secretary

Dear Ms. Nolley,

In accordance with Board regulations that permit Board members to request items be placed on the agenda in writing no later than noon of the fifth working day prior to any scheduled Board meeting, I respectfully request placement of the following item on the Board of Retirement's Agenda for Thursday, August 9.

**IT IS RECOMMENDED THAT THE BOARD OF RETIREMENT:**

1. Reconstitute the Joint Organizational Governance Committee (JOGC) as a standing joint committee of both the Board of Retirement (BOR) and Board of Investments (BOI) and reassign to the JOGC all matters currently being considered by Ad Hoc Committees, with the exception of the Ad Hoc Committee overseeing the recruitment of the Retirement Administrator/Chief Executive Officer which will remain responsible for this recruitment at this time;
2. Revise the JOGC Charter, Section 8 Membership, Quorum, and Rules, as follows. (The revision is red-lined.)

There will be eight (8) members with no designated alternates. The JOGC will be comprised of the BOR and BOI Chairs and Vice-Chairs plus one member appointed by each Chair and one member elected by each Board. If there is one JOGC member who represents both Boards (one overlap), then an additional appointment will be made by the BOR Chair in even years and by the BOI Chair in odd years. If there is more than one overlap, the BOR and BOI Chairs will make an equal number of additional appointments; if there are an odd number of overlaps, the final appointment, after the Board Chairs make their separate appointments, will be made following the rule as stated in the preceding sentence that applies in the case of one overlap. **In selecting their appointments, the Chairs will endeavor to include an overall mix of trustees who are appointed by the Board of Supervisors, elected by active employees (general and safety), elected by retired employees, and who serve in an ex-officio capacity. The Chairs will also consider continuity of service when**

**selecting Committee members, so that development of expertise and familiarity with the subject matters jurisdictional to the JOGC are encouraged, and to benefit Committee goals.**<sup>1</sup>

3. Elect a JOGC Member.
4. Request the Interim Chief Executive Officer (CEO) engage Funston Consultants, the consultants who assisted the BOR and the BOI Ad Hoc Committee that recommended the formation of the JOGC, to undertake an evaluation of the JOGC's effectiveness in the fall 2019. Funston should allow for input by all trustees in the evaluation processes. When completed, the evaluation should be placed on a BOI and BOR agenda for discussion.

## BACKGROUND

The formation of the JOGC several years ago was one of the most, if not the most, significant governance decisions the Boards have made. The approach the Boards took in evaluating their governance options was methodical, prudent, strategic and inclusive of professional consultant advice. In forming the JOGC, the Board did not delegate its authority for final actions on matters. The JOGC was to develop recommendations that would come before each Board for consideration. The membership of the JOGC was reasonable in number (eight trustees) and its make-up allowed for consideration of our different perspectives and experiences. The JOGC was also subject to the Ralph M. Brown Act. As a result, its deliberations and decisions were transparent to our members. Our commitment to the JOGC was a commitment to govern in an efficient, organized and transparent manner.

In our first meeting of this calendar year, the newly elected Chairs recommended dissolution of the JOGC. Each Board passed the recommended dissolution by a vote of five for and four against. Since the dissolution, the Chairs have formed three distinct Ad Hoc Committees in a row, each charged with a matter of importance. Today, we find ourselves managed through an "Ad Hoc-racy" that has questioned the Board's authority for final actions; limited representation of our diverse experiences in decision-making; compromised our ability to meet our members' expectation of transparency in our deliberations and decisions; and caused confusion and increased operational inefficiencies.

To be clear, in presenting these recommendations to you, I acknowledge that Ad Hoc Committees are permitted under the law, and their use in organizations is often appropriate. However, when compared against the benefits that accrue to the Board, to LACERA and to LACERA's members by governing through the JOGC, the JOGC is a more effective, inclusive, efficient and transparent governance model.

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<sup>1</sup> This language is sourced for the most part from the Board of Retirement's Standing Committee Charters, v. 11, approved by the Board of Retirement on April 13, 2017.

## JUSTIFICATION FOR RECOMMENDED ACTIONS

The recommended actions are justified by the following:

### 1. The need for the Board to re-assert its authority over final actions.

Through its Charter, approved unanimously by each Board, the JOGC was to be advisory to each Board. The Charter assigned the JOGC with the responsibility to review and make recommendations to each Board. The Charter purposely did not delegate final decision making to the JOGC. "Final action can only be taken by the Boards themselves" the Charter states.

Compare the authority of the Board under the JOGC with what we have seen with Ad Hoc Committee No. 2. After six meetings and two reports to the Board, both filed as information only on our Board agenda, Ad Hoc Committee No. 2 did not present recommendations to the Board for the Board's deliberation and decision. Ad Hoc Committee No. 2 decided the matter itself.

### 2. The need to affirm the importance of a committee's membership relative to the committee's objective(s).

This Board has a documented record of acknowledging the importance of a committee's membership to the committee's objective. In this Board's *Standing Committee Charters*, the Board acknowledged this important point when the Board wrote: *The BOR Chair will consider continuity of service when selecting Committee members so that development of expertise and familiarity with the subject matter is encouraged, and to benefit Committee goals.* In the same document, the Board also acknowledged the value different types of trustees bring to deliberations and decisions when the Board wrote: *"In selecting their appointments, the Chairs will endeavor to include an overall mix of ex-officio, appointed, elected, active, and retired members."*

The JOGC included appointed and elected members. By revising the JOGC Charter in the manner recommended, we ensure that the factors of continuity of service and diversity of representation are considered in JOGC appointments. As well, the elected member allows each of us an opportunity to participate in a democratic process related to membership.

By its definition, ad hoc signifies a solution designed for a specific problem or challenge. Ad Hoc Committees do not develop a solution that can be applied to another problem elsewhere. However, these matters assigned to the three Ad Hoc Committees have common threads among them. I believe that a group of eight trustees, some members of which are selected with continuity of service and diversity of representation in mind, is better suited to see the inter-connectedness of

these matters and consider the inter-connectedness in their development of recommendations for consideration by the full Board.

**3. The need to be more transparent in our deliberations and decisions.**

The JOGC is a standing committee subject to the Ralph M. Brown Act, thereby ensuring the transparency of its deliberations and decisions and providing the Boards, LACERA and LACERA members with a mechanism to hold the JOGC and the Boards accountable for their deliberations and decisions.

Ad Hoc Committees are not subject to the Ralph M. Brown Act. Because of this there is no requirement that the Ad Hoc Committee post meeting agendas, allow for public comment, nor release meeting minutes. Each Ad Hoc Committee the Chairs formed in this "Ad hoc-racy" is charged with consideration of a very material matter. When faced with transparency or continued haziness, I believe the matters themselves require that we affirm transparency and give thanks that the haziness has cleared.

**4. The implementation of the Ad Hoc Committee structure has been confusing and has resulted in operational inefficiencies.**

The Chairs have revised the number of members on one Ad Hoc Committee to eight, but recently established another Ad Hoc Committee with six members. There was no explanation provided for the difference. The Chairs released meeting minutes for one Ad Hoc Committee, but not another. Further, the minutes it did release did not contain any indication that the minutes were reviewed or approved. These very recent actions were likely initiated in response to the lack of formal communication of Committee deliberations and decisions, a fact that appears to have frustrated trustees.

The Ad Hoc Committee structure has also resulted in an ever increasing number of meetings, including a significant number of Joint Board meetings. The Chairs scheduled Joint Board Meetings in four out of the five most recent months. Earlier this year, this Board's Chair and Vice Chair cited "too many meetings" as a justification for disbanding the JOGC; yet disbanding the JOGC has actually increased the number of Joint Board meetings.

Sincerely,



Joseph Kelly

January 10, 2019

TO: Each Member  
Board of Retirement  
Board of Investments

FROM: Lou Lazatin   
Chief Executive Officer

FOR: January 17, 2019 Joint Meeting of the Board of Retirement and Board of Investments

SUBJECT: Increase of Chief Executive Officer Approval Limit to \$150,000

## **RECOMMENDATION**

That:

1. The Board of Retirement increase the Chief Executive Officer's (CEO) approval limit for expenditures necessary for the operation of LACERA under the General Policy Guidelines for Purchasing Goods and Services from \$75,000 to \$150,000; and
2. The Board of Investments approve and accept the increased limit with respect to investment-related and actuarial expenditures.

## **DISCUSSION**

Under the current General Policy Guidelines for Purchasing Goods and Services (Purchasing Policy), the Chief Executive Officer's approval limit is \$75,000. (Purchasing Policy, pages 1, 4.) A copy of the current Purchasing Policy is attached. The Purchasing Policy was approved by the Board of Retirement at its December 15, 2005 meeting. This policy is currently under review by the Administrative Services Division and other staff, and a revised version will be presented to the Operations Oversight Committee and the Board of Retirement in the near future. The current Purchasing Policy addresses the approval of the Board of Investments for investment-related expenditures within that Board's authority.

Pending approval of the revised Purchasing Policy, staff proposes that the CEO's approval limit be increased to \$150,000 under the policy and with respect to other matters within the CEO's authority. This increase is based on increases in the cost of goods and services since 2005 and will provide the CEO with increased flexibility, within a reasonable range, to manage LACERA's affairs.



Re: Increase of Chief Executive Officer Approval Limit to \$150,000

January 10, 2019

Page 2 of 2

There is no legal limit to the CEO's authority. The setting of the CEO's authority is within the discretion of the Board of Retirement, which has plenary authority and exclusive fiduciary responsibility for decisions relating to the administration of the system under the Constitution and the County Employees Retirement Law of 1937 (CERL). (California Constitution, Article XIV, Section 17; Government Code Sections 31520, 31520.1.) The Board of Retirement may set such procurement authority as it believes is prudent and reasonable for the management of the fund.

LACERA's budget is a joint responsibility of the Board of Retirement and Board of Investments under CERL. (Government Code Section 31580.2.) The Board of Investments also has authority under the Purchasing Policy with respect to investment-related expenses and others within its areas of governance.

Accordingly, while approval of the spending limit rests with the Board of Retirement for procurement purposes, staff believes that, insofar as the Board of Investments has co-approval authority for the budget and also has responsibility for investment-related and actuarial matters (Government Code Sections 31453, 31520.2) and the Purchasing Policy references the Board of Investments role, the Board of Investments should also endorse this change.

## **CONCLUSION**

For the foregoing reasons, staff recommends that:

1. The Board of Retirement increase the Chief Executive Officer's (CEO) approval limit for expenditures necessary for the operation of LACERA under the General Policy Guidelines for Purchasing Goods and Services from \$75,000 to \$150,000; and
2. The Board of Investments approve and accept the increased limit with respect to investment-related and actuarial expenditures.

Attachment

c: Robert Hill  
John Popowich  
Jonathan Grabel  
Steven P. Rice  
Kimberly Hines  
Beulah Auten  
Ted Granger

**LACERA**  
**Board of Retirement**

**General Policy Guidelines**  
**For**  
**Purchasing Goods and Services**

**PURPOSE**

The purpose of this policy is to establish guidelines for the procurement of goods and the selection of service providers for LACERA.

It is LACERA's objective to select the best goods and services available at reasonable costs, while acting in a manner that is consistent with statutory requirements, fiduciary responsibility, and LACERA's Values.

Vendor selection for goods and services should proceed transparently and objectively, free from bias. Encouraging competition increases the cost-effectiveness of the process and affords reasonable opportunity to qualified goods and services providers.

**DELEGATION OF PURCHASING AUTHORITY**

The ultimate responsibility for purchasing the best goods and services at reasonable costs lies with the Board of Retirement and Board of Investments. Consistent with the Boards' fiduciary duties, the Boards delegate such responsibility to their Chief Executive Officer to facilitate efficient administration of the retirement system.

Similarly, the Chief Executive Officer may further delegate purchasing responsibility to subordinate staff. The delegation of purchasing authority shall be consistent with the limits set forth in this policy. A spending plan for goods and services shall be approved by the appropriate Board or Boards through either the annual budget process or specific Board action.

**Chief Executive Officer's Purchasing Authority**

The Chief Executive Officer may procure goods and services worth up to \$75,000 solely under his/her signature provided such funds are available within the budget appropriation.

## **PROCUREMENT OF EQUIPMENT AND OTHER GOODS**

### **Purchasing Schedule**

Procurements of items valued at less than \$2,000 (or in cases where multiple orders of the same product have a combined purchase cost of less than \$10,000), may be made without securing competitive prices if the Buyer is able to determine that the price is reasonable through personal knowledge of the product or by comparing the price with a recently paid price, or the price of similar items.

Procurements of items valued between \$2,000 and \$10,000 (or in cases where multiple orders of the same product have a combined purchase cost of less than \$50,000), require a minimum of three (3) written bids/proposals. The Buyer shall obtain competitive bids and record them for audit purposes.

Procurements of items valued at greater than \$10,000, require a minimum of three (3) written bids/proposals. The Buyer shall obtain competitive bids and record them for audit purposes. Activities in this category require approval at the level of Division Manager.

### **Sole-Source Solutions**

Sole-source solutions are acceptable when products are of a proprietary nature, or where changing manufacturers or value-added resellers (VARs) would compromise existing contracts, service agreements or business strategies. In such cases, the Division Manager shall document the justification for the sole-source procurement.

### **Centralized Purchasing Function**

LACERA employs a centralized procurement unit charged with purchasing supplies and other goods for the various organizational units. Buyers are authorized purchasing agents of the Administrative Services Procurement Unit who perform all necessary steps to acquire equipment and other goods, including: bidding and price negotiation; purchase order processing; and receipt of purchased goods.

Staff requiring supplies and other goods shall first submit written requests to the Administrative Services Procurement Unit which maintains catalogs of stock items, Master Agreements and Vendor Lists, developed to ensure that LACERA receives the best current pricing.

Staff delegated purchasing authority, including the use of corporate credit cards, expense reimbursement, and the like, shall contact the Administrative Services Procurement Unit to verify the existence of Master Agreements or Vendor Lists prior to making purchases.

In the event that products or services cannot be obtained through the Administrative Services Procurement Unit, staff shall procure goods and services according to the **Purchasing Schedule**.

### **Vendor Lists**

Vendor Lists are comprised of current suppliers and other known vendors, including those who have formally requested to participate in competitive bidding within their respective areas of specialization.

Vendor Lists may be developed by the Administrative Services Procurement Unit or other entity authorized to perform vendor canvass or contract negotiation for LACERA.

The Administrative Services Procurement Unit shall act as the central repository for Vendor Lists, with other organizational units forwarding their lists for maintenance, including publication on LACERA's website.

Buyers shall periodically (at least annually) update their Vendor Lists to provide new, interested suppliers, as well as current vendors, the opportunity to participate in future competitive bidding.

Buyers shall give reasonable notice to suppliers on existing Vendor Lists when soliciting bids. Communication should include e-mail notification where possible. LACERA's website should be updated periodically with contact information and instructions to potential vendors, and should include a listing of the types of goods and services that LACERA regularly procures.

Buyers shall refer to existing Vendor Lists when making purchases or soliciting bids. Staff delegated purchasing authority shall contact the Administrative Services Procurement Unit to verify the existence of Vendor Lists prior to making purchases.

### **Master Agreements**

Master Agreements, wherein costs for goods and services are established for an extended period, help control costs and promote timely delivery, particularly where recurring or routine purchases and common services are concerned.

Vendors providing routine goods or recurring services may be awarded Master Agreements for specified commodities as the result of competitive bidding.

Master Agreements may be initiated by the Administrative Services Procurement Unit or other entity authorized to negotiate contracts for LACERA.

The Administrative Services Procurement Unit shall act as the central repository for Master Agreements, with other organizational units forwarding their agreements for maintenance and reference by authorized purchasers.

Buyers shall refer to existing Master Agreements when making purchases. Staff delegated purchasing authority shall contact the Administrative Services Procurement Unit to verify the existence of Master Agreements prior to making purchases.

### **CONTRACTING FOR SERVICES**

#### **Contracting Authority**

Contract administrations for services valued at \$75,000 or less, require review at the level of Division Manager and approval by the Executive Office.

For services valued at greater than \$75,000, Contract Administrators shall solicit bids or proposals through Solicitation (RFP/RFQ) to promote competition to the maximum extent practicable and to ensure that awards are advantageous to LACERA.

Activities relating to the release of RFPs or RFQs, and eventual funding, must be approved by the Committee of either the Board of Retirement or Board of Investments that has oversight responsibility for the particular LACERA division or organizational unit initiating the solicitation.

### **Contract Administrations Using Sole Source Providers**

A Sole Source solution is permissible under exceptional circumstances. For example:

- Insufficient pool of acceptable vendors
- Vendor with unique or value-added qualifications
- Current vendor with a proven price/performance record
- Vendor on a LACERA-approved list
- Vendor recommended by a knowledgeable 3<sup>rd</sup> party, consultant or LACERA business partner

In such cases, staff shall document for the appropriate Committee or Board how the recommended sole source solution is the best value to LACERA in the absence of competitive bidding.

### **SOLICITATION FOR SERVICES**

#### **General**

In broad terms, the Solicitation is the instrument by which requirements are presented to contractors to obtain offers for the acquisition of supplies, equipment, and services.

#### **Solicitation Objectives**

LACERA is enjoined by California State Law to administer the fund solely in the interests of its participants and to do so in a prudent and cost-effective manner to reduce the plan's administrative costs.

Simply stated, and regardless of the specific type of Solicitation, **the Solicitation process is intended to secure the best goods and services for LACERA at reasonable costs.**

#### **Publicizing Solicitations**

Solicitations shall be publicized, for a reasonable length of time, in appropriate news outlets and on LACERA's website to ensure that contract administration activities at LACERA are conducted in a manner providing full and open competition

Publicizing out-sourcing Solicitations lends transparency to the process, increases cost-effectiveness, promotes fairness, and expands opportunities for small, women-owned and minority-owned businesses.

## **Obtaining Approvals For Services Solicitations**

### **Administrative**

Solicitations affecting administrative and operations activities, require approval by the Operations Oversight Committee, with the results and recommendations returned to the full Board of Retirement for authorization to execute an agreement.

### **Investments**

The release of RFPs and other contract administration activities related to investments and the general management of trust fund assets—whether eventual funding is by hard or soft dollars—require approval by the Board of Investments, with results and recommendations returned to that Board for authorization to execute an agreement.

### **Retiree Health Care**

RFPs or other solicitations related directly to Retiree Health Care benefits, such as health care plans and insurance, are approved for release by the Insurance, Benefits and Legislative Committee, with results and recommendations returned to the Committee for final recommendation to the full Board of Retirement.

## **DEVELOPMENT OF SERVICES CONTRACTS**

### **General**

Contract development is a joint effort involving the LACERA Contract Administrator, designated LACERA and vendor staff with signature authority, and LACERA's Legal Office.

### **Legal Office Review And Approval Of Services Contracts**

The Legal Office is responsible for reviewing the language of the contract to ensure that it protects LACERA's interests.

Vendor Agreements for contract amounts exceeding \$50,000 shall be reviewed and approved as to form by LACERA's Legal Office.



### **Contract Administrator Responsibilities**

Before approving the contract and related payments, the LACERA staff member with signature authority must verify that the contract meets

#### **Contract Administrator Responsibilities (continued)**

LACERA's requirements and that any payments specified in the contract are appropriate.

The Contract Administrator is responsible for ensuring that the parties to the contract adhere to it, and that all issues are addressed and resolved.

### **Monitoring Services Contracts**

LACERA's Internal Auditors shall periodically review the contracting and contract administration process.

Internal Audit may review the Statement of Work and the Payment Schedule of a given contract to ensure that the payment points coincide with completed deliverables.

Internal Audit may review the payment process at any time throughout the engagement to ensure that payments are made for completed tasks only.

### **PROCURING GOODS AND SERVICES DURING A DECLARED EMERGENCY**

In the event of an emergency or other event that would trigger LACERA's Disaster Recovery or Business Continuity plans, the Executive Office may delegate purchasing authority to qualified available staff. In addition, Corporate Card spending limits may be increased as needed.

Recovery from a large disaster event may require early response by staff to acquire replacement computer systems, temporary offices, and other limited resources available on a first-come basis. In such a case, the Executive Office or their designees may make reasonable and responsible procurements of goods and services beyond the usual discretionary spending limits.

LACERA could experience an event of such severity that designated staff could not respond timely. In such a case, the ultimate authority for delegating purchasing responsibility rests with the Boards of Retirement and Investments, consistent with the approved Doomsday Manual.





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

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



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