



Los Angeles County Employees Retirement Association

Hyatt Regency Long Beach

Beacon Ball Room

200 South Pine Avenue

Long Beach, CA 90802

BOARD OFFSITE: BOARD OF RETIREMENT

Tuesday, January 22nd

08:00-09:00

Breakfast

09:00-09:20

Welcome & Opening Remarks

Lou Lazatin, Chief Executive Officer

09:20-09:45

Fulfilling the Mission

Lou Lazatin, Chief Executive Officer

LACERA exists to Produce the highest quality of service for our members and sponsors; Protect the promised benefits through prudent investment and conservation of plan assets; and Provide the promised benefit. Fulfilling LACERA's Mission is accomplished through its people, process, and resources.

09:45-10:00

Break

10:00-10:45

SWOT – Strengths, Weakness, Opportunities, and Threats

JJ Popowich, Assistant Executive Officer, Executive Division

James Brekk, Chief Information Officer/Chief Information Security Officer, Systems Division

A new year, a fresh start! Staff is refreshing and revitalizing LACERA's Strategic Plan. The management team at its December Management Offsite has taken a look at our Strengths, Weaknesses, Opportunities, and Threats. The results of this dynamic and open meeting will be shared.

10:45-11:00

Strategic Plan

Lou Lazatin, Chief Executive Officer

Prioritizing, S.M.A.R.T.E.R.



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11:00-11:45 **Los Angeles County Other Post-Employment Benefits (OPEB) Program**

Beulah S. Auten, Chief Financial Officer, Accounting Division

Ted Granger, Assistant Chief Financial Officer, Accounting Division

Robert Schmidt, Milliman

LACERA's Board of Retirement administers the Los Angeles County Other Postemployment Benefits (OPEB) Program, which includes several participating employers (i.e., County, Superior Court, LACERA, and Outside Districts). For better precision in allocating and accounting for the liabilities, the OPEB Program is transitioning from a cost-sharing plan structure to an agent multiple-employer plan structure. With this change comes new financial reporting and actuarial compliance standards. LACERA's OPEB Actuary will present key actuarial concepts impacted by the agent plan structure transition and discuss implementation steps planned for upcoming actuarial reporting cycles.

11:45-12:45 **Lunch**

12:45-01:30 **Advanced CERL Education (ACE) Program**

Derwin Brown, Division Manager, Quality Assurance

Dr. Arlene J. Owens, Senior Quality Auditor, Quality Assurance

LACERA takes great pride in the fact that we are a learning organization with a focus on employee education and development as well as quality and continual improvement. This presentation will focus on the design, development, and implementation of our advanced in-house training program referred to as ACE. We are quite pleased with its development thus far as we have successfully completed the first phase of the pilot program. We will also share some of the testimonies from the phase one pilot group as well as our plans for phase II and the future of the program.



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01:30-02:15

The Pre-Conversion Service Credit Project

*Vanessa Gonzalez, Senior Retirement Benefits Specialist,
Benefits Division*

Stephanie Kawai, Process Analyst, Benefits Division

LACERA is continually working to ensure the data in our members' accounts are as accurate as possible. Over time we have identified data errors and have a long history of addressing them through various clean - up projects. The Pre-Conversion Service Credit Project is the next big step in working toward the goal of excellent customer service through cleaning-up member data.

02:15-02:30

Break

02:30-03:15

State & Federal Political Updates

Joseph J. Ackler, Ackler & Associates

Naomi Padron, McHugh Koepke & Associates

Anthony J. Roda, Williams & Jensen

The Board's state and federal legislative advocates will provide an update on the mid-term elections. They will discuss the key political, legislative, and regulatory issues that will be facing public pension plans.

03:15-03:30

Closing

Lou Lazatin, Chief Executive Officer



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BOARD OFFSITE: RETIREE HEALTHCARE

Wednesday, January 23rd

08:00-09:00 **Breakfast**

09:00-09:15 **Opening Remarks**

Cassandra Smith, Division Manager, Retiree Healthcare

09:15-10:00 **Legislative Update**

Kathy Bakich, Segal Consulting

The 2018 mid-term election results will bring change to Washington D.C. During this session, Ms. Bakich will project how future health care regulations and legislation that affect retiree healthcare may be influenced during the 116th United States Congress.

10:00-10:15 **Break**

10:15-10:50 **Proactive Approaches to Opioid Management**

Dr. Jonathan Doris, Kaiser Permanente

The devastating consequences associated with opioid abuse have garnered national attention. Dr. Doris will provide an overview of the crisis, and then summarize clinical approaches being implemented to minimize pain associated with chronic conditions including: new opioid prescribing protocols, pharmaceutical alternatives, integrated care management teams, and addiction treatment support.

10:50-11:05 **Break**

11:05-11:45 **LACERA and Musculoskeletal Health (Anthem Blue Cross)**

Dr. David Pryor, Anthem Blue Cross

Musculoskeletal health can be an important determinant in our quality of life throughout retirement. Dr. Pryor will identify musculoskeletal conditions prevalent among LACERA's members, and review the evolution of treatment options.



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BOARD OFFSITE: RETIREE HEALTHCARE

Wednesday, January 23rd

11:45-01:00

Lunch

01:00-01:30

Pharmacy Trends and LACERA Cost Containment Initiatives

Lara Clower, CVS

Daniel Foster, CVS

The CVS team will provide an update of LACERA's Pharmacy benefits utilization trends and cost containment initiatives, as well as highlight emerging trends in pharmacy treatments including the impact and costs associated with specialty biologics, meant to treat a range of hitherto untreatable conditions in oncology, inflammation, CNS, endocrinology and other chronic conditions.

01:30-01:45

Break

01:45-02:15

Understanding Medicare's Star Ratings

James Metcalf, MD, MBA, FAAHPM, Senior Medical Director, United Healthcare

Dr. Metcalf will provide background on CMS' quality of healthcare initiatives, including the description of the stars program for health plans, parallel quality programs in other parts of the health system (hospital, office, nursing home), and future initiatives including reductions in social barriers to health.

02:15-02:45

LACERA Retiree Healthcare Claims Experience Reporting

Cassandra Smith, Division Manager, Retiree Healthcare Division

Stephen Murphy, Segal Consulting

Ms. Smith and Mr. Murphy will review the current report format design presented monthly to the IBLC meeting vs a proposed new and improved dashboard format in efforts to make the reporting more understandable and user friendly.



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BOARD OFFSITE: RETIREE HEALTHCARE

Wednesday, January 23rd

02:45-03:00

Closing Remarks

Cassandra Smith, Division Manager, Retiree Healthcare

LACERA BOARD OFFSITE

Board of Retirement

Tuesday, January 22, 2019

EXPECTATIONS & ACHIEVEMENT GOALS

LOU LAZATIN, CEO

- ▶ 1. Fund sustainability
- ▶ 2. Improved Governance
- ▶ 3. Reduce complexity - simplify, simplify, simplify
- ▶ 4. Cultivate a risk-intelligent organization
(compliance, audit, cyber security, quality)
- ▶ 5. Promote a high-performing team and diverse workforce
- ▶ 6. Transform healthcare purchasing and delivery to achieve affordability and access

THE MISSION

LOU LAZATIN, CEO

▶ PEOPLE FIRST

Select staff members for their values, attitude, and aptitude to learn.

Employee engagement: Create joy and enthusiasm so that staff becomes motivated, creative, and dedicated. How? Earn their respect and trust because of the service you provide them, not your title. There is no I in TEAM.

▶ PROCESS

Strive for uniformity in how we work, how we get things done, and achieving goals in a safe, accurate, and easy manner.

▶ RESOURCES

Technology and training are tools to be deployed to make us more productive, accurate, and effective, and to improve turnaround of services. Technology is a means to make the process reliably accurate, and training makes staff proficiently accurate.



SWOT - STRENGTHS, WEAKNESSES, OPPORTUNITIES, AND THREATS

BOARD OF RETIREMENT
TUESDAY, JANUARY 22, 2019

REFRESHING THE STRATEGIC PLAN

Our Process –
Management Offsite
Discussion

Reviewed the current SP

Discussed goal to realign to Lou's
Five Expectations & Achievement
Goals

Acknowledged our challenges to
date:

Goals Developed in Silos

Competing needs for limited
resources

Need for improved oversight

REFRESHING THE STRATEGIC PLAN

Realignment of Strategic
Plan Goals should be:

Organizational in scope

Relate or apply to the Mission

Enhance or address SWOT categories

SMARTER – as outlined by Lou

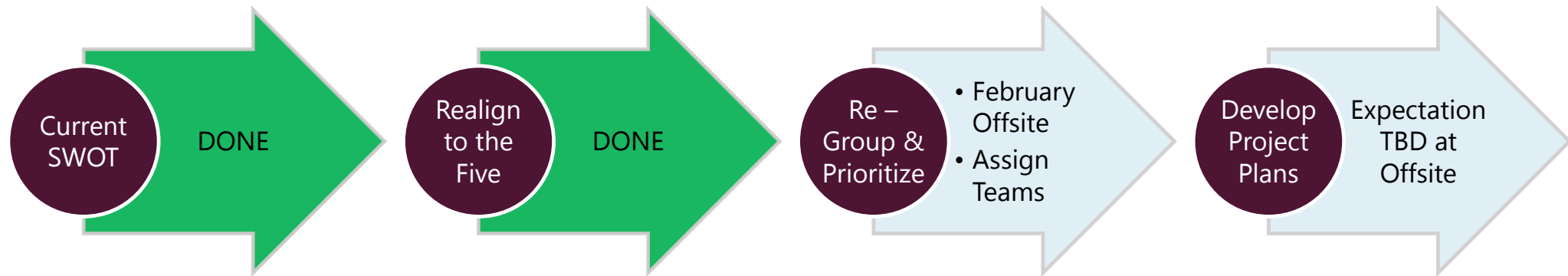
Prioritized to maintain focus and application of resources

Assigned ownership and team members

Backed up by project plans

MOVING FORWARD- FOUR STEPS

- Our Process – Four Step Process to Move Forward



THE SWOT PROCESS

Reviewed SWOT Concept

Four Teams

Group Discussion

Finalized the top three items in each SWOT category

SWOT RESULTS: STRENGTHS



SWOT RESULTS: WEAKNESS

1 Technology	2 Governance (Board & Internal)	3 Training
<ul style="list-style-type: none">• Underinvestment or Lack of Investment in Necessary Tech• Lack of User Inclusion in Development• Outdated Tech	<ul style="list-style-type: none">• Politics (Board/Internal)• Silos• Internal Communication• Inclusion• Fairness	<ul style="list-style-type: none">• Refresher• Lack of Internal Training• Lack of Formal Cross Training• Sharing Knowledge

SWOT RESULTS: OPPORTUNITIES

1 Improved Use of Technology

2 Change in Direction

3 Training

- New Leadership
- New Staff
- Resetting the Culture
- Re-Org: Members Services / Support Services

- Cross Training & Learning
- Peer Learning
- Succession Planning

SWOT RESULTS: THREATS

1

Economic Risks

- Market Risks
- Economic Downturn
- Bear Markets

2

Legislative Risks

- New Legislation
- DB Elimination
- Federal & State Mandates – Including Healthcare
- Case Law

3

Security Risks

- Hacking
- Cyber Threats

STRATEGIC PLAN

LOU LAZATIN, CEO

STRATEGIC PLAN- S.M.A.R.T.E.R.

LOU LAZATIN, CEO

S - SPECIFIC

M - MEASURABLE

A - ACHIEVABLE

R - RELEVANT

T - TIME-BOUND

E - ETHICAL

R - REPEATABLE

STRATEGIC PLAN

Retirement Benefits FOR FISCAL YEARS ENDING 2018-2020



Status Update (01/04/19)

The Strategic Plan has been reformatted and aligned along the four main key objectives outlined by our CEO. The format has also been redesigned so that we can easily see where we are on each goal (In Process, Substantially Complete, or Completed) and color coded to represent how well we are doing in terms of progress on the goals (red for behind, yellow for in danger or near to being behind, and green for completed).

The goals each have current “owners” and “business partners” who are working on the goal. These assignments may change as we continue to review and re-structure our teams to meet these goals. Here is the index that shows what the different initials stand for:

Division Codes									
AS	Admin Services	BE	Benefits	CO	Communications	FA	Financial & Accounting Services	DR	Disability Retirement Services
DL	Disability Litigation	EO	Executive Office	HR	Human Resources	IA	Internal Audit	IN	Investments
LS	Legal Services	MS	Member Services	QA	Quality Assurance	RH	Retiree Healthcare	SY	Systems

Governance

Working together to improve our Board and internal governance

1. Work with Board members to engage the NACD to provide continual Board member training and development to provide them with the tools and knowledge to continually improve their ability to provide responsible leadership for LACERA
2. Work with the internal management and supervisory team to develop and deliver education to develop organizational leadership to transform LACERA into an innovative and best in class organization focused on delivering its mission.

Fund Sustainability

To advance LACERA's producing the promised benefits, a separate plan for 2019 addresses five inter-related objectives:

1. Execute strategic asset allocation.
 2. Enhance operational effectiveness
 3. Optimize Investment Implementation
 4. Maximize ownership rights and stewardship
 5. Strengthen influence on fees and capital costs
- Please refer to the Investments Strategic Plan

Transform Healthcare

Transform healthcare purchasing and delivery to achieve affordability and access.

- Please refer to the Retiree Healthcare Strategic Plan

Reduce Complexity of our Organization

Continually working to make the process easier for our members and staff.

- Disability Retirement Information Integration & Enhancements

We are focusing our organizational energy on modernizing our disability investigation and appeal processes through revising Board policy, streamlining staff procedures, evaluating staffing deployment, changing operational expectations, improving accountability, creating new measurement structures, and developing new assistive technology tools.

Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Disability Process Modification	Review the application processing to identify efficiencies and begin program design stage.					
	FY 2013-14	SY	DR			
Current Update	Completed					
Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Disability Data Integration: Tracker	Export data from Tracker and import the data to Workspace.					
	FY 2013-14	SY	DR			
Current Update	Completed					
Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Disability Document Management	Description Not Available					
	FY 2014-15	SY	DR, AS			
Current Update	Completed					

- Reduce Complexity of our Organization >>> Disability Retirement Information Integration & Enhancements (Continued)

Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Disability Process Management	Program and move most disability processes including Disability application intake, interviews, medical appointments, etc.					
	FY 2015-16	SY	DR			
Current Update	Substantially Complete – Recently rolled out the Board Agenda process. Disability staff have the ability to print the agenda from Workspace.					
Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Board and Management Metric Reporting for Disability Processes	The development of metrics and reports to provide management and BOR critical insight to the status of disability cases. The intended goal of processing disability cases is 9-12 months.					
	FY 2016-17	SY	DR, EO			
Current Update	Substantially Complete – Workspace page provides metrics on pending completed cases. Provides aging (number of days) for pending cases. Additional reports will be developed as case tracking is implemented in Workspace.					
Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Disability Medical Document Portal – System	The development of a system where doctors, medical record retrieval vendors, and others can electronically submit medical reports to LACERA.					
	FY 2017-18	SY	DR			
Current Update	Not Started					

- Reduce Complexity of our Organization >>> Disability Retirement Information Integration & Enhancements (Continued)

Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Disability Medical Document Portal – Training	The development of training for staff members on how to use this and how to train outside parties to use the system.					
	FY 2017-18	SY	DR			
Current Update	Training will be provided to staff upon completing the Document Portal and training and training materials will be provided to vendors regarding their document submissions.					
Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Case Management	Development of a case management system that will assist DRS staff members to manage individual cases more efficiently.					
	FY 2017-18	SY	DR			
Current Update	In Process: We have reviewed our efforts to date and determined that the case management design approach will be applied to Disability as well as Benefits, thus, addressing two goals at the same time. Design is expected to begin in the upcoming year.					

- Reduce Complexity of our Organization >>> Disability Appeal Process Modernization

We are leveraging our efforts and the lessons learned in the Disability Retirement process to modernize the Disability Litigation appeals process by streamlining staff processes and procedures, developing case management tools to improve resource management, process and manage Writs, and develop a new measurement structure to provide greater insight into the caseload.

Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Digital Appeal Packages	Create and store Disability Appeal packages electronically.					
	FY 2016-17	SY	AS, DR			
Current Update	Completed					
Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
E-Board Package - Digital Appeal Cases	Deliver Disability Appeal packages to the Board electronically.					
	FY 2016-17	SY	AS, DR			
Current Update	Completed					
Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Planning Writ Management Process	Complete a needs assessment and develop an overview of the Writ Management Process to assist Systems in developing a Writ Management System.					
	FY 2016-17	SY	DL			
Current Update	Completed					

- Reduce Complexity of our Organization >>> Disability Appeal Process Modernization (Continued)

Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Implement Writ Process Management	Create a case management process for managing the response to Writs filed to appeal Board decisions on disability cases.					
	FY 2017-18	SY	DL			
Current Update	Not Started: Pending completion of Disability Process Management. If the volume of transactions warrants an automated solution, the process management developed for the disability application process will be reused for the writ process.					
Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Appeal Process Management	Integrate the Disability Litigation Appeal process with Workspace and the Writ Management System to allow electronic management of the process and institute metrics and reporting.					
	FY 2017-18	SY	DL			
Current Update	Not Started: Pending completion of Disability Process Management. The process management developed for the disability application process will be reused for the appeal process.					
Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Retire Legacy System: Tracker	Retire the legacy Tracker system – after all functionality has been migrated to Workspace.					
	FY 2017-18	SY	DL			
Current Update	The major features of the Disability Tracker have been implemented in Workspace. There are a few additional processes to implement. Ad hoc printing of letters needs to be implemented in Workspace and Tracker Events need to be imported into Workspace.					

- Reduce Complexity of our Organization >>> Managing Work through the Job Ticket Process

Through the years, LACERA introduced various tools to improve accuracy, timeliness, and reliability of our member transactions. Building upon this foundation, LACERA is designing and implementing a system to track the progress of each transaction as it undergoes triaging, assigning, calculating, quality review, and completion. Intrinsic to each “job ticket” is process-centric and member-centric data to efficiently and effectively manage work objects.

Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Job Ticket 1.0 – Planning	Develop a needs assessment and outline of the job ticket requirements and system.					
	FY 2013-14	SY	BE			
Current Update	Complete					
Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Job Ticket 1.0 – Prototyping	Create a prototype of a the job ticket system.					
	FY 2015-16	SY	BE			
Current Update	Complete					
Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Job Ticket 1.0 – Production	Implement the job ticket system into the production environment of Workspace.					
	FY 2015-16	SY	BE			
Current Update	Complete					

- Reduce Complexity of our Organization >>> Managing Work through the Job Ticket Process (Continued)

Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Job Ticket 2.0 – Reporting	Create and generate metric and tracking reports from the Job Ticket system.					
	FY 2017-18	SY	BE			
Current Update	Substantially Complete: Initial Report completed. Benefits division reviewing for fine-tuning.					
Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Job Ticket 3.0 – Case Management	Update the Job Ticket system to facilitate individual case management of work objects and member requests.					
	FY 2018-19	SY	BE			
Current Update	Not Started: Expected to start the design in the upcoming year. The design will be leveraged for use in both Benefits and Disability Case Management.					
Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Job Ticket 4.0 – Audit Version	N/A					
	FY 2019-20	SY	BE			
Current Update	Scheduled for next FY.					

- Reduce Complexity of our Organization >>> LACERA.com

Our website will have an easy to use and modern look that facilitates member’s ability to learn about their LACERA benefits.

Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
LACERA.com Redesign	Update and modernize LACERA.com. This includes a complete review of all content on the website.					
	FY 2017 – 18	SY	CO			
Current Update	<p>The Web Designer is working on the web site redesign:</p> <ul style="list-style-type: none"> • Architecture and Navigation <ul style="list-style-type: none"> ○ Finalizing and implementing navigation Accessibility Features ○ Responsive navigation models for all devices and screen sizes • Working with Communications to develop the visuals and aesthetic components • Porting the final prototype to a template compatible with the Content Management tool <p>Also working with Communications to incorporate web pages to host the new retirement university videos.</p>					

- Reduce Complexity of our Organization >>> LACERA.com:

Member Portal

Our My LACERA Member Portal website will support on-line transactions so that our members can self-service their accounts in a protected and expeditious manner.

Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Beneficiary Update	Implement ability for members to add, update, or delete beneficiary information on My LACERA member portal.					
	FY 2013 - 14	SY	BE, MS			
Current Update	Completed.					
Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Portal Redesign	Update and modernize the My LACERA member portal.					
	FY 2016 - 17	SY	EO, CO, MS			
Current Update	Completed.					
Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Secure Message Center	Implement a secure message center through the My LACERA member portal so members can communicate electronically with MS and RHC.					
	FY 2016 - 17	SY	EO, CO, MS			
Current Update	Completed.					

- Reduce Complexity of our Organization >>> LACERA.com: Member Portal

(Continued)

Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
On-Line Pension Verification	Allow members to request and print pension verification and amount in fund letters through the My LACERA member portal.					
	FY 2017 – 18	SY	BE, CO, MS			
Current Update	Completed. In addition to the Pension Verification letters, Systems also delivered the ability to generate Amount-in-Fund letters. Additional functionality is being added to allow Member Services – Outreach to print letters at the Member Service Center.					
Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
On-Line Form – Service Credit Purchase	Allow members to submit a request to purchase service credit online through the My LACERA member portal.					
	FY 2018 – 19	SY	BE, CO, MS			
Current Update	In design phase					
Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
On-Line Form – Disability Application	Allow members to securely submit a Disability Application online through the My LACERA member portal.					
	FY 2018 – 19	SY	BE, CO, DR			
Current Update	In design phase					

- Reduce Complexity of our Organization >>> LACERA.com: Member Portal

(Continued)

Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
On-Line Form – Retirement Election	Allow members to securely submit a Retirement Election online through the My LACERA member portal.					
	FY 2019 – 20	SY	BE, LE, MS			
Current Update	Scheduled for next FY.					

- **Reduce Complexity of our Organization >>> Retiree Healthcare Program**

In 1987, we embarked on an ambitious program to create our own benefit administration software application. Over the ensuing decades we have devoted considerable resources to support our retirement benefit administration and more recently our disability application work processes. Looking to the future, now is the time to begin planning how to best support the Retiree Healthcare Program with improved document control, workflow, and technology. Similar to our efforts in the disability application area, this will be a multi-dimensional effort which will require us to evaluate Board policy, staff procedures, staffing deployment, operational expectations, accountability, and measurement structures.

Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Develop Needs Assessment	Complete a needs assessment to determine what future efforts will be needed to integrate RHC operations into Workspace.					
	FY 2017 – 18	SY	RH			
Current Update	Completed.					

- Reduce Complexity of our Organization >>> Managing Member Interactions

The ability to provide world class service to our members is dependent on ensuring LACERA manages member interactions in an efficient manner, measures service levels, as well as keeping an accurate record of member interactions in the member’s file. LACERA will focus resources on expanding our ability to record and store inbound and outbound calls with members to the Benefits, Disability Retirement Services divisions. Recording calls ensures we have an accurate record of member interactions which improves service and can be leveraged to provide quality assurance and training to staff. We will also begin focusing on the development of a Member Service Center queuing system to improve our ability to forecast, budget, and allocate staffing resources and improve management of service levels in the Member Service Center.

Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Member Service Center Queue System – Planning	Needs assessment and planning for implementation of a queuing system in the Member Services Center					
	FY 2018 – 19	SY	MS			
Current Update	A vendor has been selected and is currently working with Systems and Member Services to complete the build out of the application which includes a queuing system and a new online appoint registration tool.					
<hr/>						
Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Call Recording – Benefits Division – Planning	Planning the implementation and roll out of call recording for Benefits Division Specialists.					
	FY 2019 – 20	SY	BE			
Current Update	Systems has completed the planning for the technical implementation of the call recording. Benefits staff still has to be engaged to discuss rollout of the call recording. This goal has been extended to 2019-2020.					

- Reduce Complexity of our Organization >>> Managing Member Interactions

(Continued)

Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Call Recording – Disability Division – Planning	Planning the implementation and roll out of call recording for Disability Division Investigators.					
	FY 2017 – 18	SY	DR			
Current Update	Systems has completed the planning for the technical implementation of the call recording. Disability staff still has to be engaged to discuss rollout of the call recording.					
Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Replace Call Recording System	Replace current call recording software and storage.					
	FY 2018 – 19	SY	BE, DR, MS			
Current Update	In Process: 48 additional recording ports have been added, 24 have been designated for Disability staff scheduled for implementation later on this FY. Staff has started researching a total replacement solution.					

- Reduce Complexity of our Organization >>> Workspace

The information system will facilitate members service while protecting membership information. The system environment will be continually evaluated and updated. We look to improve the way we circulate the member’s electronic document by creating a Job Ticket processing system.

Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Replace Green Screens	Replace the mainframe green screens by importing all functionality into Workspace.					
	FY 2017 – 18	SY	BE			
Current Update	Completed. The final green screens in use were retired on June 5, 2017.					
Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Retire CICS						
	FY 2017 – 18	SY	BE			
Current Update	Completed. CICS was no longer in use as of June 5, 2017.					
Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
COBOL Program Replacement – Planning						
	FY 2017 – 18	SY				
Current Update	Completed.					

- Reduce Complexity of our Organization >>> Workspace (Continued)

Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Update Retirement Estimate Program	Update the retirement estimate logic to reflect current requirements.					
	FY 2017 – 18	SY	LE, IA			
Current Update	Completed: The estimate program was updated on May 8, 2017. The program now generates estimates for Service Retirement, Death, Service Connected Disability, and Non-Service Connected Disability retirements.					
Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Multiple Plan Streams	Updating Workspace programming to properly support members who have more than one membership stream.					
	FY 2018 – 19	BE	LE, SY			
Current Update	In Process: Plan E related plan stream eligibility rules have been incorporated into the Final Calc and Estimate programs. Safety plan stream with non-E eligibility rules have not been incorporated due to small volume and unresolved processing issues relating to contributions and interests					
Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Reengineer 1 st Payment – Planning	Review the first payment process to ensure the processes is designed to efficiently and accurately issue the first benefit payment to members.					
	FY 2018 – 19	SY	BE, LE, QA			
Current Update	Participating in planning/design meetings.					

- Reduce Complexity of our Organization >>> Member Communications

Members have important retirement choices to make, from plan selection when first hired through choosing the best date and retirement option at the end of their careers. It is our responsibility to provide the education they need to make good choices for their individual circumstances. Our strategic direction is to continue to expand and improve our communication to members by offering a wide variety of user-friendly, updated, informative, and creative educational tools that include print materials, seminars and workshops, website materials, videos, etc. We will review our current pre-retirement workshop and develop and offer topic-specific modules that members could choose from as alternatives.

Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Outreach Web Video – New Member	Develop an online video that explains the new membership process.					
	FY 2014 – 15	MS	CO, LE			
Current Update	Completed.					
Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Active Member Benefit Statement	Redesign and implement a new Active Member Beneficiary Statement					
	FY 2017 – 18	CO	EO, LS, MS, SY			
Current Update	Communications and Systems are working together to re-design the statement. Communications has produced prototypes and is currently in the process of finalizing the data points that will be included in the statement. This involves working with BE, MS, and LS. Once that data has been defined Systems will work with Communications to complete the programming to support the final design. This will need to be followed up with an RFP to select a vendor to print and mail the statements.					

- Reduce Complexity of our Organization >>> Member Communications
(Continued)

Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Retirement Estimate Document	Redesign the Retirement Estimate and Benefits Election form to make it more informative and user friendly.					
	FY 2017 – 18	CO	EO, LS, MS, SY			
Current Update	A few prototypes have been created, but nothing has been formally initiated to begin work on this project.					
Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Retirement University - Course 1	Design and implement an on-line course on the Retirement Benefit Options.					
	FY 2017 – 18	CO	BE, DR, EO, LS, MS, RH, SY			
Current Update	Communications and finalized the first three segments of the course that address the top options chosen by members: Unmodified, Unmodified+Plus, and Option 4. Communications has worked with Systems to create a new webpage to house the video content and will be launching the first three courses in the early part of 2019. They are now working on finalizing the scripts and developing the remaining options: Option 1, Option 2, and Option 3.					
Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Retirement University - Course 2	Select the content, design and implement the second course in our online university.					
	FY 2020 – 21	CO	BE, DR, EO, LS, MS, RH, SY			
Current Update	Not Started.					

- Reduce Complexity of our Organization >>> Member Communications
(Continued)

Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Member Survey	Conduct a survey of all LACERA members and survivors to assess the services and service level that LACERA is providing.					
	FY 2020– 21	EO	BE, DR, LS, MS, RH, SY			
Current Update	Scheduled for next FY.					

- Reduce Complexity of our Organization >>> Board Operations

It is important for all members of the organization, Board, management, and workers to be dedicated to creating and maintaining a professional workspace. The Board's workspace should foster an aesthetic appearance while maintaining functionality and readily communicate LACERA's commitment to its membership.

Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Board Room Branding Entryway	Refresh and update the entry way to the Board room and include pictures of Board members so the members and public can see who is representing them.					
	FY 2017 – 18	EO	AS			
Current Update	Completed.					
Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Board Room Branding	Refresh and update the Board Room, including branding.					
	FY 2017 – 18	EO	AS			
Current Update	The Board room was branded in 2017 – 18, but the aesthetics of the room were not updated. The Board room is receiving a fresh paint job in 2018 – 19.					
Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Board Room Speaker Timer and Signal						
	FY 2017 – 18	SY	EO, AS			
Current Update	Completed					

Cultivate a Risk Intelligent Organization

Creating an organization that is aware of the risks and manages those risks appropriately. Compliance. Sharing of knowledge.

- Knowledge & Content Management

Provide an Enterprise Content Management System (ECMS) that integrates a centralized search of all knowledge content. We expect to internally ingest the Board of Retirement's Committee documents and implement a user friendly tool to access our membership rules and plan information.

Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Board Package Web Posting	Post all Board of Retirement and Board of Investments agendas online.					
	FY 2015-16	SY	EO, IN, LE			
Current Update	Completed					
Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Digital Archive: BOI Back file – Implement	Archive all prior versions of BOI agendas/minutes.					
	FY 2016-17	SY	EO, IN, LE			
Current Update	Completed					
Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Digital Archive: BOR Committee – Implement	Archive all prior versions of BOR Committee agendas/minutes.					
	FY 2016 - 17	SY	EO, IN, LE			
Current Update	Completed					

- Cultivate a Risk Intelligent Organization >>> Knowledge & Content Management (Continued)

Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Digital Archive: Disability Case Back file – Evaluate	Conduct a needs assessment of what it would take to archive all disability case back files.					
	FY 2017 - 18	SY	EO, DR, LE			
Current Update	Not Started: Expected to start the evaluation this FY.					
Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Digital Archive: RFP	Issue an RFP					
	FY 2017 - 18	SY	EO, DR, LE			
Current Update	Not Started: Project has been deferred due to other organizational priorities and resource limitations					
Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Digital Archive: Actuary Reports	Archive all actuary reports.					
	FY 2018 - 19	SY	EO, LE			
Current Update	Not Started: Project has been deferred due to other organizational priorities and resource limitations					

- Cultivate a Risk Intelligent Organization >>> Knowledge & Content Management (Continued)

Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Digital Archive: Accounting Reports	Archive all accounting reports.					
	FY 2018 - 19	SY	EO, FA, LE			
Current Update	Not Started: Project has been deferred due to other organizational priorities and resource limitations					
Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Digital Archive: Brochures Reports	Archive all brochures.					
	FY 2018 - 19	SY	EO, CO, LE			
Current Update	Not Started: Project has been deferred due to other organizational priorities and resource limitations					
Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Digital Archive: Summary Plan Descriptions	Archive all Summary Plan Descriptions.					
	FY 2018 - 19	SY	EO, CO, LE			
Previous Update	Not Started					
Current Update	Not Started: Project has been deferred due to other organizational priorities and resource limitations					

- Cultivate a Risk Intelligent Organization >>> Knowledge & Content Management (Continued)

Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Digital Archive: Retiree Healthcare Program	Archive all Retiree Healthcare Program.					
	FY 2018 - 19	SY	EO, CO, RH,LE			
Current Update	Not Started: Project has been deferred due to other organizational priorities and resource limitations					

- Cultivate a Risk Intelligent Organization >>> Operational Compliance

LACERA continues implementing innovative and best practice quality initiatives by introducing another line-of-defense; formalized Operational Compliance program. The Operational Compliance program is geared to nurture a culture of compliance, and provide a structured and transparent approach to adhere to operational processes, policies and key organizational training regiments. The program’s ultimate success is achieved by an organization demonstrating a culture of compliance and ethical business practices coupled with the efficient and effective integration of Operational Compliance into daily business practices.

Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Create Compliance Program Charter	Create a charter to define the compliance program roles, responsibilities, and approach.					
	FY 2017 – 18	LE	EX			
Current Update	Templates gathered and reviewed by members of Compliance Committee; further action deferred pending hiring of Compliance Director.					
Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Implement Organizational Compliance Committee	Create a Compliance Committee that will work together to define the compliance program, draft or review compliance policies, procedures or charters, and provide oversight until a Compliance Officer is appointed.					
	FY 2017 – 18	LE	EX			
Current Update	Completed.					
Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Develop Compliance Reporting Protocols						
	FY 2017 – 18	LE	EX			
Current Update	Templates gathered and reviewed by members of Compliance Committee; further action deferred pending hiring of Compliance Director.					

- Cultivate a Risk Intelligent Organization >>> Operational Compliance
(Continued)

Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Develop Policy Governance Procedures and Training	Procedures for training on compliance principles, procedures, and values.					
	FY 2018 – 19	LE	EX			
Current Update	We have completed development of conflict of interest training. We are currently drafting the privacy training.					
Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Develop and Deliver Compliance and Ethics Training	Training on compliance principles, procedures, and values.					
	FY 2018 – 19	LE	EX			
Current Update	Conflict training delivered to Investments Division.					
Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Inventory LACERA Policies and Standardize	Develop log of all LACERA policies.					
	FY 2019 – 20	LE	ALL			
Current Update	Significant progress made in compiling existing policies; Policy on Policies developed and approved.					
Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Conduct Best Practices Review	Confirm success in achieving compliance program objectives.					
	FY 2019 – 20	LE				
Current Update	Scheduled for next FY.					

- Cultivate a Risk Intelligent Organization >>> In-Line Quality Audit

LACERA made great strides building a quality ecosystem over the past 10 years. Our efforts include comprehensive training courses, data clean-up projects, apprenticeship programs, standardized business practices, and independent quality assurance. These practices achieved impressive results with our quality improving from 88% to a world class quality level exceeding 98%. Our next evolutionary step is to identify data anomalies and calculation errors earlier when working a member's account to prevent errors from reaching the member in the first place.

Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Increase the In-Line Audit Ratio to 60%						
	FY 2015 – 16	QA	BE			
Current Update	Completed.					
Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Increase the In-Line Audit Ratio to 75%						
	FY 2016 – 17	QA	BE			
Current Update	Completed.					
Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Assess Program Resource Requirements						
	FY 2017 – 18	QA				
Current Update	Complete. Incorporated assessment of program into budget highlights.					

- Cultivate a Risk Intelligent Organization >>> Member Centric Process Management

Benefits Division has developed a Process Management Group (PMG) that has successfully managed its business rules, documentation and tools so that they are coordinated, standardized, and optimized through a continuous process improvement effort. Our Strategic Plan will expand this effort to include all member centric service divisions and business rule repositories.

Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Develop Coordinated Procedures	Develop a process to coordinate the development of procedures for use by Benefits Division staff members.					
	FY 2017 – 18	BE	DR, LE, MS, QA			
Current Update	Completed.					
Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Monitor and Harmonize Procedures						
	FY 2017 – 18	BE	DR, LE, MS, QA			
Current Update	The PMG continually monitors and harmonizes procedures internally and works with its business partners to ensure that DRS, MS, and QA are consulted on and apprised of new and updated procedures. The divisions work closely on this project. We have recently completed a Service Credit Matrix and completed an Agenda Audit Criteria document.					
Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Develop Requirements for Knowledge System	Develop a set of requirements for a Knowledge management system that can be used to share operational knowledge, procedures, and rules throughout the organization.					
	FY 2017 – 18	BE	DR, LE, MS, QA, SY			
Current Update	?					

- Cultivate a Risk Intelligent Organization >>> **Scrubbing Legacy Data**

Our membership data is diverse, voluminous, and spans many decades of time. We maintain our membership data for perpetuity. The consequences of poor or incomplete data can magnify as time progresses and may cause serious ramifications to our members. The 1989-90 database conversion includes a series of poor or incomplete data that has placed a number of our members in harm's way. Our three-year strategic plan places a high priority in scrubbing our legacy data.

- **Scrubbing Legacy Data**

A multi-year project to identify and prioritize data clean-up projects that will improve processing accuracy and service to members.

Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
MOU Retroactive Salary Adjustments – 26,000	The County completed MOU negotiations that included retroactive salary increases. The County's payroll system could not retroactively collect contributions and assign them to the correct pay period, so Benefits had to adjust the accounts manually.					
	FY 2014 – 15	BE	MS, QA, SY			
Current Update	Completed.					
Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Missing Service Credit – 1,000	A project to review accounts that had known periods of missing service credit and ensure the total service credit and related contributions were correct.					
	FY 2015 – 16	BE	MS, QA, SY			
Current Update	Completed.					

- Cultivate a Risk Intelligent Organization >>> Scrubbing Legacy Data

Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Missing Service Credit – 1,000	A project to review accounts that had known periods of missing service credit and ensure the total service credit and related contributions were correct.					
	FY 2015 – 16	BE	MS, QA, SY			
Current Update	Completed.					
Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Back Contributions Uncollected – 1,000						
	FY 2015 – 16	BE	MS, QA, SY			
Current Update	Completed.					
Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Service Contract not Resident – 1,000	Members with a purchase on the system but no service contract set up.					
	FY 2015 – 16	BE	MS, QA, SY			
Current Update	Completed.					
Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Recalculate Contracts Uncompleted – 4,000						
	FY 2017 – 18	BE	MS, QA, SY			
Current Update	Completed.					

- Cultivate a Risk Intelligent Organization >>> Implementing PEPRA

The Public Employees' Pension Reform Act of 2013 (PEPRA) required LACERA to open new plan tiers, design information systems to support the new benefit structure, develop member communications, conduct staff training, and create new monitoring protocols. With the new plan tiers successfully launched, the organization needs to take a fresh look at the additional implementation efforts yet to be completed.

Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
PEPRA Implementation Needs Assessment	A review of all systems, materials, and rules to identify any remaining PEPRA implementation items that need to be completed.					
	FY 2016 – 17	EX	BE, MS, LS, QA, SY			
Current Update	<p>Staff has evaluated and implemented a majority of the PEPRA processing needs. The following processes remain:</p> <ul style="list-style-type: none"> • Annual Benefit Statements (ABS) – Active Members: The current version of the ABS has not been revised to accommodate PEPRA; the PEPRA estimate logic has not been added to the program that generates these statements and the text has not been updated to reflect PEPRA rules. This process is dependent on the completion of the ABS redesign. • Creating a PEPRA compliance payroll report that will help LACERA determine if any non-pensionable pay codes were paid out as pensionable by the Auditor-Controller. • PEPRA limits: Staff is working with the Legal Offices to obtain guidance on how periods of absence without pay impacts the Final Average Compensation period for PEPRA members. This is critical to be able to define the FAC period for comparison to PERPA pensionable pay limitations. • Returning member processes to support the Superior Court employees • Non-Concurrent Retirement Process: Members in double plans may have different retirement eligibility rules based on each plan. These rules, currently managed manually, will be automated. <p>Communications has updated 76 Knowledge Base pages and has completed editing of 33 K-Base pages which are in the final stages of quality control review before being published. Staff have also added or updated 17 glossary terms to correspond to the PEPRA definitions.</p>					

- Cultivate a Risk Intelligent Organization >>> Implementing PEPRA
(Continued)

• Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
PEPRA Implementation Tactical Plan						
	FY 2017 – 18	EO	BE, MS, LS, QA, SY			
Current Update	<p>The 3rd phase (SCR #5845) to create new database fields to store PEPRA FAC & What-If PEPRA FAC (RCEA substitution for AWOP periods in the last 36 months for members who are retirement eligible) & an associated program to calculate the PEPRA FAC for these new fields has been completed. Met with Member Services/Benefits management on 11/21/2018 to share the work that has been done & next steps before moving this phase to production.</p> <p>Note: The PEPRA FAC functionality was delayed due to the need for the business rules to be vetted, clarified & approved by user management.</p>					

High Performance & Diversified Team

Creating and maintaining an environment where all staff members are coached and developed to be high performers. We strive to develop the tools and training to reach higher levels of performance as an effective team. Each staff member should receive continual, relevant, and timely feedback. A diverse workforce represents a greater range of knowledge, ideas, and opinions and spurs innovative approaches to serving our members better.

- **Advanced CERL Education (ACE) Certification**

The International Foundation of Employee Benefits, in conjunction with the University of Pennsylvania, provides an outstanding educational certification in compensation management covering all aspects of benefits and compensation. This rigorous designation, known as the Certified Employee Benefit Specialist (CEBS), allows the student to specialize their CEBS certification into one of three specialty areas:

- *Compensation Management Specialist* - compensation and human resources
- *Group Benefits Associate* - healthcare and other group benefits
- *Retirement Plans Associate* - all aspects of retirement plans

While these are excellent educational opportunities, they do not specifically address plan design, practices, and procedures unique to LACERA. Our initial concept is for the ACE certification to serve as advanced certification available to LACERA's Claims Processing, Member Services, Retiree Healthcare, Quality Assurance, and Internal Audit staff. The program would include an eligibility test, class work, proficiency tests (class room and production), and continuing education requirements. It is our hope that this designation will be eligible for certification compensation.

- High Performance & Diversified Team >>> Advanced CERL Education (ACE) Certification (Continued)

Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Develop ACE Program	Develop and design the curriculum and processes of the program.					
	FY 2016 – 17	QA	EX			
Current Update	Completed.					
Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Implement Program	QA will conduct two pilot programs to solicit feedback on the program structure, content, and delivery. After the two pilot groups have completed the program a final program will be outlined and presented for approval.					
	FY 2020 – 21	QA				
Current Update	This goal has been extended based on the experience from completing the first pilot group. QA’s first pilot was conducted with 9 selected staff over a 22-month period. Using data gathered from this pilot group the program content has been revised for the second pilot which will begin in mid-2019, consisting of 5 selected staff and is expected to last about 17 months. Once the second pilot has been completed and reviewed, we will begin the implementation.					
Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Graduate Inaugural Class						
	FY 2020 – 21	QA				
Current Update	QA will begin the Pilot II program in February 2019, which will last for about the next 15 months. Once the second pilot has been completed and reviewed, we will begin the implementation. This goal has been extended to accommodate a second pilot program.					

- High Performance & Diversified Team >>> Succession Planning

Succession planning is an important part of doing business, no matter how certain the future seems. It promotes strong leadership, facilitates organizational responsiveness, and builds team strength. A successful plan includes employees throughout the organization at all operational levels.

Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Employee Survey – Planning	Develop an Employee Engagement program starting with an employee survey.					
	FY 2016 – 17	HR	EO			
Current Update	In Process. HR and the EO have evaluated approaches to survey staff and develop an engagement program. Staff members in HR and the EO have attended webinars and courses on employee engagement including the Disney Institute’s Disney Approach to Employee Engagement. The team has determined the best approach is to issue an RFP to select a partner to assist them with developing a program. Once change already implemented is referring to employees and staff as “staff members” to help foster the idea that we are members of LACERA as well as staff and that we should all be providing service to each other. This change is being made in new materials developed by HR. Further actions are being discussed for consideration with the new CEO.					
Task	Implementation Schedule	Owner	Partners	In Process	Substantially Complete	Complete
Employee Survey – Conduct	Implement an employee survey as part of the Employee Engagement Program.					
	FY 2016 – 17	HR	EO			
Current Update	New CEO requested that initial inquiry be made on criteria for “Best Places to Work in Money Management” sponsored by Pensions & Investments.					

Los Angeles County

Other Post-Employment Benefits (OPEB) Program

Financial and Accounting Services Division

Beulah Auten

Ted Granger

Board of Retirement Offsite Meeting

January 22, 2019

Overview

- Timeline
- Operations
- Reporting
- Audits

Timeline

2012

GASB issued new financial statement reporting standards for ***Pensions***.

- LACERA Statement No. 67
- Employers Statement No. 68

2013

The County and LACERA held preliminary discussions regarding the establishment of an OPEB Trust.

- Anticipation of compliance with future OPEB financial statement reporting standards.
- County expressed interest in controlling costs and receiving independent reporting from other employers (i.e., Superior Court).

2015

GASB issued new ***OPEB*** financial statement reporting standards.

- LACERA Statement No. 74
- Employers Statement No. 75

Timeline (continued)

2016

OPEB Task Force:

- LACERA teamed up with Milliman and Plante Moran, to hold monthly Task Force meetings.
- Task Force membership included plan sponsors, and their auditors and actuaries.
- Implementation plans were developed and executed.

2017

GASB Standards:

- LACERA implemented GASB 74 for the fiscal year ended June 30, 2017.

2018

GASB Standards:

- The County, Superior Court and Outside Districts, implemented GASB 75 for the fiscal year ended June 30, 2018.
- Transition from cost-sharing to agent multiple-employer plan structure.

Operations

- LACERA, County and Superior Court:
 - In October 2017, meetings began to establish new operations for the agent plan structure, beginning fiscal year 2018-2019.
- Legal:
 - Executed legal agreements confirming benefits structure, member services, and employer data segregation.
- LACERA Operations:
 - Minor changes to monthly OPEB billing.
 - Modified accounting records to identify employer specific transactions.
 - Updated monthly closing procedures and general ledger accounts.
 - Created financial reports for each employer.

Reporting

MILLIMAN

- Funding
 - Actuarial Valuation report structure will be more customized for each agent.
- Financial Statements
 - GASB Disclosure Reports will be updated.

PLAN AND PLAN SPONSORS

- Financial Statements
 - LACERA's and the Plan Sponsors' financial statement disclosures will be updated.
 - LACERA is exploring early adoption of GASB 84 which changes the presentation of the Agency Fund and requires an income statement.

Audits

PLAN FINANCIAL STATEMENTS

- LACERA's external auditor to provide an audit opinion on the statement of changes in fiduciary net position (income statement) and member census data.
- Annual audits performed in conjunction with annual financial statement audit.
- Plan Sponsors utilize information provided by the Plan.
- Audit scope expansion addressed by LACERA's Audit Committee.

Audits

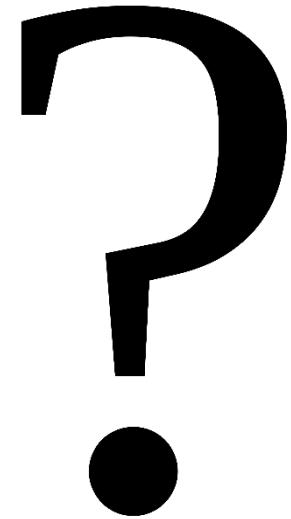
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ACTUARIAL REPORTS

Per the Board's policy, LACERA's external *actuarial* auditor performs reviews:

- Experience Study
- Valuation
- GASB Disclosure Reports
 - Biennial audit by actuarial auditor
 - Annual audit by financial statement auditor
- Plan Sponsors utilize information provided by the Plan.

Questions



Los Angeles County OPEB Program

Board of Retirement Offsite Meeting

Robert Schmidt, FSA, MAAA

JANUARY 22, 2019



Agenda

OPEB Trust Status

Cost Sharing to Agent

Discount Rate

Actuarial Cost Method

Experience Study

Cadillac Tax

Next Steps

Status of the OPEB Trust

- Three employers are prefunding with LACERA
 - Los Angeles County
 - Superior Courts
 - LACERA
- LAFCO and LACOE use California Employers' Retiree Benefit Trust (CERBT)
- LLCD and SCAQMD do not currently pre-fund

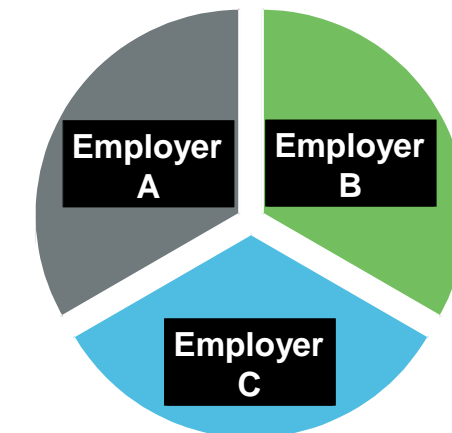
Cost Sharing to Agent

- Cost sharing has combined assets with proportionate shares
- Prefunding creates need for more explicit asset tracking
 - Employers have different funding policies
 - Necessitates an agent structure
- Agent structure partitions assets according to each employer's funding actions
- Effective July 1, 2018 – transition from Cost Sharing to Agent
- Retirement program continues to be cost sharing

Cost Sharing Plan



Agent Plan



This work product was prepared solely to provide assistance to LACERA. It may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work.

Discount Rate - Accounting

- Under GASB 74 and 75, different funding policies lead to different discount rates
- Depletion date method is used to develop discount rate
 - Funded rate (for years with assets)
 - Bond buyer 20 year general obligation rate (for years with no assets)
 - Results in some rate volatility

Discount Rate - Accounting

In this example the discount rates are from the June 30, 2018 GASB 74 and 75 disclosure reports

Long Term Rate of Return (6.30%)

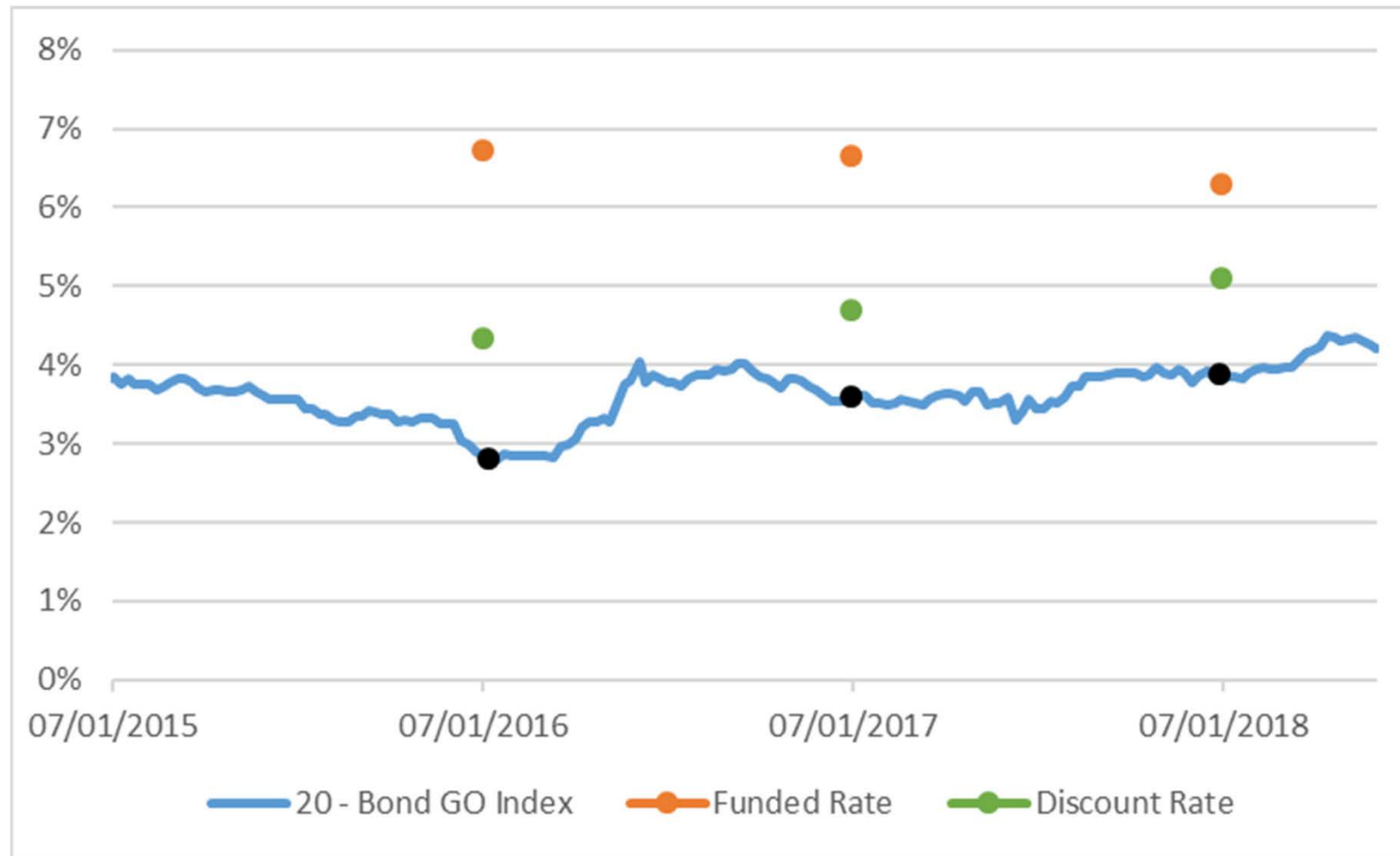
Middle (5.11%)

20 Year Tax-Exempt Municipal Bond
Yield (3.87%)

- Agent is not prefunding

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Discount Rate History - Accounting



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Discount Rate - Funding

- Depletion date method
- Replace bond buyer rate with County general asset return for greater stability
 - July 1, 2017 was 3.54%
 - July 1, 2016 was 3.55%

Actuarial Cost Method (PUC) to (EAN)

- The actuarial cost method is a way to divide liabilities between the Actuarial Accrued Liability (AAL) and the future Normal Costs (NC).
- LACERA has been using Projected Unit Credit (PUC)
 - Funding and GASB 43 and 45 accounting
- LACERA must now use Entry Age Normal (EAN)
 - For GASB 74 and 75 accounting
- We plan to use EAN for funding effective with the July 1, 2018 valuation
 - Consistency between funding and accounting is desirable
 - Will also be consistent with retirement program actuarial cost method

Actuarial Cost Method (PUC) to (EAN)

- Impact from July 1, 2017 Funding Valuation
- Equates to 1.9% decrease in AAL
- There is a 2.3% increase in NC
- Really just a “shift” from AAL to future normal costs

Item	PUC	EAN	EAN - PUC	Percent Change from PUC
AAL	\$26,300.8	\$25,800.1	-\$500.7	-1.9%
NC	\$970.9	\$993.6	\$22.7	2.3%

All dollar amounts are in millions

Does not include the excise (Cadillac) tax

2018 OPEB Experience Study

- Similar to last OPEB study in 2016
 - Evaluate the latest OPEB experience
 - Demographic will be from the 2016 retirement experience study
 - Continue to include OPEB specific economic and demographic assumptions
- OPEB assumptions to be examined
 - Initial enrollment
 - Plan and tier selection
 - Retirement of vested terminated members
 - Other OPEB demographics
 - OPEB economic assumptions
- OPEB discount rate is evaluated independently for each agent
 - Considering whether to split other OPEB assumptions by agent

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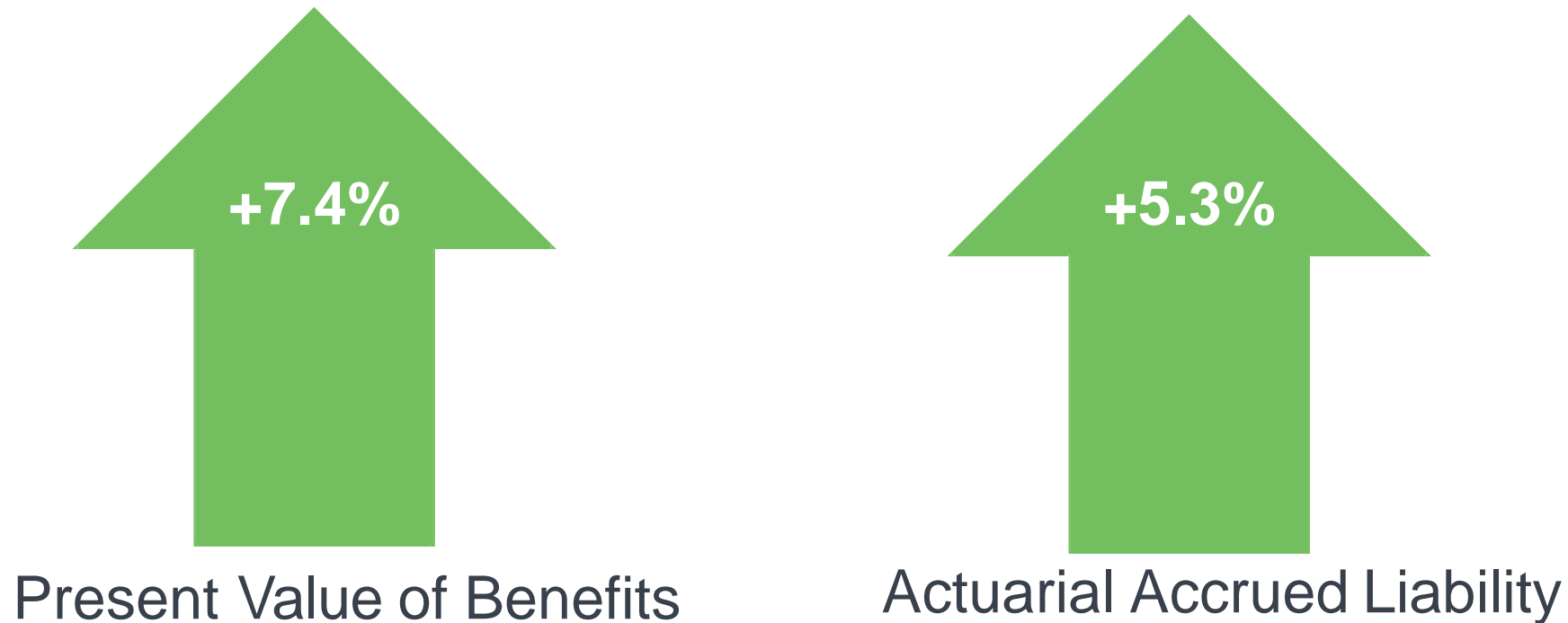
Cadillac Tax

Excise Tax for high cost health coverage under Affordable Care Act (ACA)

- 40% Tax on health plan costs in excess of certain single and family thresholds
 - \$10,000 for single only and \$27,500 for family in 2018 (not high risk)
 - Tax has been delayed until 2022
- Funding valuation reports through July 1, 2017 had Cadillac Tax results in Section 3
- GASB 74 and 75 results have been including Cadillac Tax
- Beginning July 1, 2018, funding valuation will only show results with Cadillac Tax

Cadillac Tax Impact

Per July 1, 2017 Valuation Report



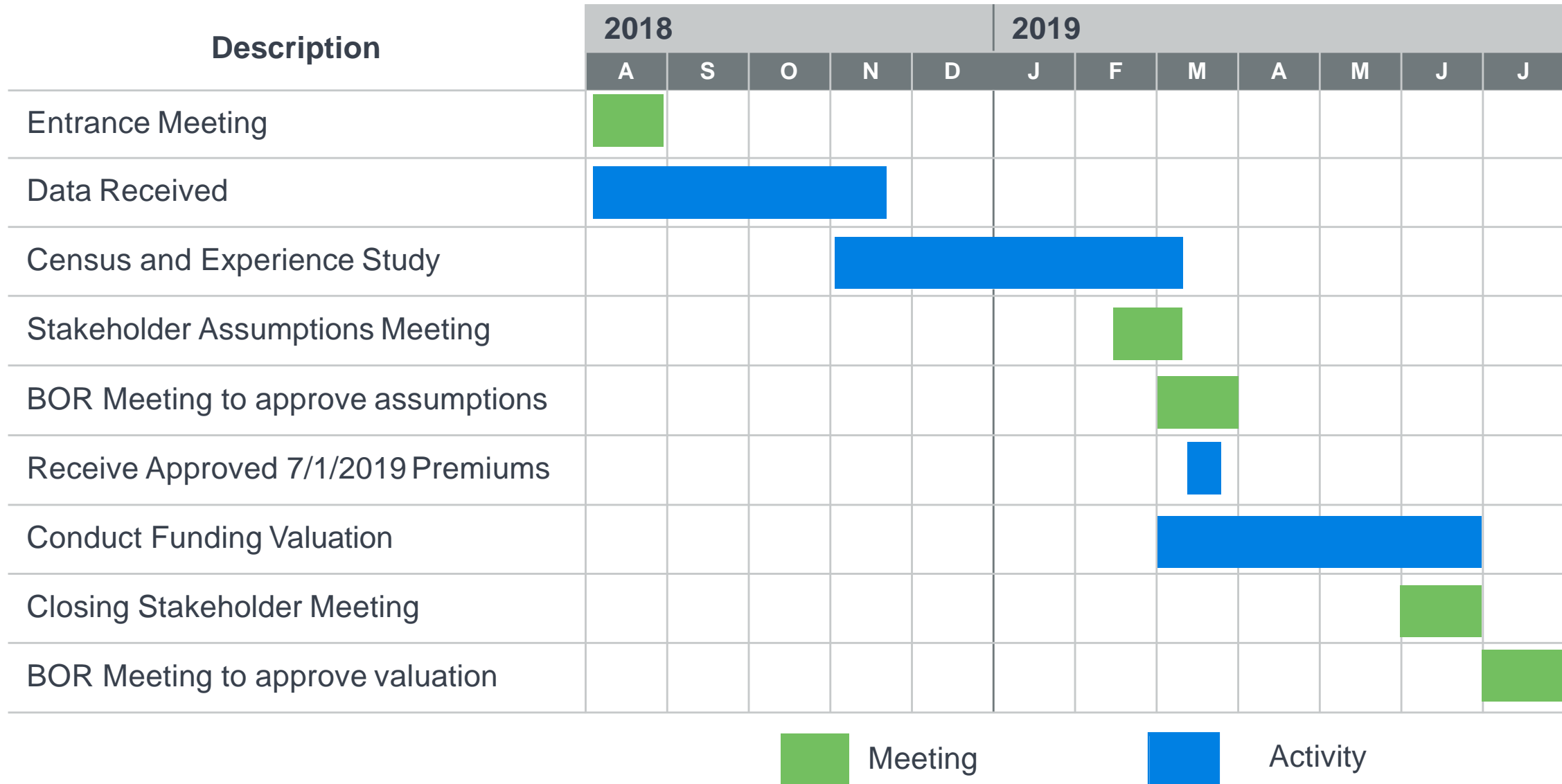
This work product was prepared solely to provide assistance to LACERA. It may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work.

Next Steps

Experience Study, Valuation, Audits

- Milliman to conduct the 2018 OPEB Experience Study with audit by Cavanaugh MacDonald
- Present OPEB Experience Study results to the Board of Retirement in March on an approval basis rather than informative basis
- Milliman to conduct the July 1, 2018 OPEB Valuation with audit by Cavanaugh MacDonald
- Present OPEB Valuation results to the Board of Retirement in July on an approval basis rather than informative basis

Timeline



This work product was prepared solely to provide assistance to LACERA. It may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work.

Questions?



Thank you

Robert Schmidt

Robert.Schmidt@milliman.com

Limitations and Reliances

This presentation is subject to the same data, methods, assumptions, and plan provisions as in the following reports:

- July 1, 2017 OPEB Funding Valuation Report
- FY2017 and FY2018 GASB 74 Disclosure Reports
- FY2018 GASB 75 Disclosure Report

All caveats, limitations, and certifications from these reports apply to this presentation.



Robert Schmidt, FSA, EA, MAAA
Principal and Consulting Actuary



Janet Jennings, ASA, MAAA
Associate Actuary

Mr. Derwin Brown
Chief Quality Assurance & Metrics, LACERA
Biography

Mr. Brown holds a Bachelor's Degree in Communications with a concentration in Public Relations from Woodbury University.

Mr. Brown serves as LACERA's Chief of Quality Assurance & Metrics. The Quality Assurance & Metrics Division is responsible for ensuring the quality of work produced by the Benefits and the Member Services Divisions by monitoring, evaluating, and verifying the accuracy of benefit calculations and ensuring compliance with Retirement Law. The Quality Assurance & Metrics Division is also responsible for several training programs which include a CORE Benefit Training program for new-hires, Refresher Training Modules for tenured staff, the Advanced CERL Education (ACE) Program, currently in development, and, Ad Hoc training, which deals with new legislation and/or System changes and updates. The training responsibility includes maintenance, delivery, evaluation, revisions, and updates to content and job aids. This division is instrumental in developing and sustaining a quality culture throughout LACERA through its various audits and training activities.

Before becoming Chief of the Quality Assurance & Metrics Division, Mr. Brown acquired a wealth of CERL knowledge, technical expertise and over 14 years of experience from his service in a number of areas within the organization including two years in Benefits and twelve years' experience as a quality auditor.

Over his years in Quality Assurance, Mr. Brown has made valuable contributions to the division. He helped design and develop the written training procedures as well as conducting training for many of the Core Benefits New-Hire modules. Mr. Brown showed his leadership ability in five years of project management experience related to training, providing technical support, and in reporting on four of LACERA's major projects:

1. 1996 Contribution Rate Project
2. 82-91 Membership Date Project
3. July 2011 Contribution Rate Project
4. Multi-Sworn Statement Project

He led the QA informational session when LACERA hosted the 2006 CEM conference, and is currently the CEM's contact for organizing the spring 2019 tour of LACERA for the CEM conference. Over a 15-month period Mr. Brown participated in the LACERA Leadership Development Program in which he demonstrated exemplary leadership ability during his three-month rotation as Division Manager of Member Services.

Dr. Arlene J. Owens
Acting Assistant Manager, Quality Assurance & Metrics, LACERA
Biography

Dr. Owens is currently serving as Assistant Divisions Manger, Quality Assurance. She is also the project manager for the Advanced CERL Education Program currently in development. In 2017 Dr. Owens earned her Doctorate of Education in Organizational Leadership from Pepperdine University, Graduate School of Education and Psychology (GSEP). The focus of her dissertation was the relationship between positive emotions and authentic leadership qualities.

Dr. Owens has a strong background in corporate learning & development. Prior to serving at LACERA, she served for seven years as corporate trainer with American Funds Service Company (AFS), transfer agent for The Capital Group Companies. Dr. Owens joined LACERA in 1997 as a Retirement Benefits Specialist III in the Member Services Outreach Division, where she provided retirement counseling to LACERA members. In 2002 she became a member of the Quality Assurance team and was promoted to Quality Auditor II. In this position Dr. Owens, a Master Trainer with thousands of classroom facilitation hours, has been one of the Core Benefits trainers and process auditors. In addition to providing thousands of hours of classroom training, Dr. Owens has audited hundreds of transactions, analyzed years of audit findings, conducted training needs assessments, root cause analysis, designed training curriculum, and is an expert in adult learning concepts. She has conducted training needs assessments for several LACERA divisions including Benefits, Disability Retirement Services, and Member Services which resulted in customized training curriculum for those divisions. Dr. Owens had the pleasure of receiving training in the following Institute of Internal Auditor (I I A) courses: Operational Auditing, Creative Problem Solving for Auditors, Tools & Techniques for Auditors; Audit Report Writing and Consulting Activities, Skills, & Attitudes for Auditors. Dr. Owens is also trained in the ISO 9001: 2000 Interpretation & ISO Internal Auditor Quality Management System.

In 2004 Dr. Owens participated in a management development program sponsored by Los Angeles County Human Resources in Partnership with Cal State Northridge, and received a Certificate of Professional Development in *Managing Today: A Skills Approach*. Dr. Owens has also served as an adjunct professor in one of the bachelor's programs at Mt. Sierra Community College in Monrovia CA. Additionally, in 2014, Dr. Owens had the opportunity to serve on a temporary management assignment for five months as Interim Section Head of the Member Services Quality Control Unit. In this position Dr. Owens managed the Quality Control team, developed online information (OI) procedures, and developed new controls for measuring correspondence.



January 22, 2019

TO: Each Member
Board of Investments
Board of Retirement

FROM: Dr. Arlene J. Owens
Acting Assistant Division Manager
Quality Assurance & Metrics

FOR: January 22, 2019 Board Offsite Meeting

SUBJECT: **Advanced CERL Education (ACE) Certification Program**

LACERA takes great pride in the fact that we are a learning organization with a focus on employee education and development as well as on quality and continual improvement. This presentation will focus on the design, development, and implementation of our advanced in-house training program referred to as ACE.

We are pleased with its development thus far after successful completion of the first phase of the pilot program. Included are some of the testimonies from the ACE phase one pilot group as well as our plans for phase II and the future of the program.

Advanced CERL Education (ACE) Certification Program

Program Overview

Introduction

What is the ACE Program?

The Advance CERL Education Program is one of LACERA's Strategic Plan initiatives (see pg. 12 of the LACERA Strategic Plan). It is an in house training program for permanent LACERA employees.

The program was developed out of a need for an advanced program more rigorous than the Core Benefits New-hire program and more relevant than the Certified Employee Benefits Specialist (CEBS) Program.

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Module I Sample Scenario	5
Overview of Leadership Modules	9
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Program Design

Curriculum Design

The ACE Certification Program takes a holistic approach to employee and organizational development. Three concepts work in concert with one another:

Technical Modules

The technical curriculum is an advanced course, which facilitates an in-depth study of many of the laws that govern LACERA's processes and procedures, including CERL, PEPR, BOR, BOS Regulations, and others (e.g. L.A. City Charter, PERL). The program emphasizes application of the law for thinking critically about complex member scenarios. It is designed to provide the participant with an orientation to the law that will empower them with an ethical, compliance-based decision-making perspective. The participant will gain from this program an advanced orientation to the laws governing LACERA policy and operating procedures.

Internship Rotations

Similar to what doctors and medical professionals experience, the pilot participants were involved in an internship period in which they participated in real-life workplace experiences, under the tutelage of a mentor. The team dealt with situations that required in depth analysis, critical thinking and decision-making. This internship gave them an opportunity to apply all the theoretical to real workplace processes and situations.

Leadership Workshops

The leadership workshops, facilitated by outside vendors, accompany the CERL technical courses. The leadership segment will focus on LACERA values and ethics, team-building, emotional intelligence, self-awareness, and resolving conflict.

Business Skills Workshops

In the business workshops, also facilitated by outside vendors, participants will learn valuable business skills and will be provided with a platform in which they will be challenged to apply them.

Rationale

The rationale for this three-pronged approach is that the participant will emerge with a well-rounded, holistic orientation and the ability to approach organizational issues from a technical, as well as an ethical perspective. This will provide the participant with the qualities needed to think critically, ethically, and strategically.

Program Design

Technical Modules

Description of Modules & Scenarios

The ACE technical curriculum comprises six modules. Each technical module addresses several processes and the sections of the law that govern those processes.

Scenario Objective

Each scenario is designed with a problem that to solve the participant will need to bring to bear his or her knowledge of the law, business acumen, problem-solving, critical-thinking, and decision-making skills.

Technical Resources

The technical modules will use the following resources:

- Retirement Law Book
 - Knowledge Base (KBASE)
 - Member Services Operating Instructions (MSOI)
 - Quality Assurance (QA) Online Resources
 - Benefits Wiki
-

Module I Content

Module I Related Processes

- New and Returning Members
 - Reciprocity
 - Temporary Time
 - Purchase of SWOP
 - Redeposit
 - General to Safety Conversion
-

Module II Content

Module II Related Processes

- Membership
 - Open Window Plan Transfer and Prospective Plan transfer
 - 30 Year Cancellation
 - Military Time/Other Public Agency (OPA)
 - Final Average Compensation
 - Plan E Elective COLA
-

Continued on next page

Program Design, Continued

Module III Content

Module III Related Processes

- Retirement Estimates
 - Agenda Process
 - First Payment
-

Module IV Content

Module IV Related Processes

- PEPRA
-

Module V Content

Module V Related Processes

- Death Process
 - Legal Split
-

Module VI Content

Module VI Related Processes

- Disability Retirement
 - Disability Reversals
-

Module I Sample Scenario

Instructions

Step	Action
1	Read the scenario and membership stream.
2	Read the relevant sections of the Law.
3	Answer the discussion questions.
4	Propose a solution.

Purchase of County Temporary Time

John Jones became a permanent County employee on 08/11/08 and elected Plan D. His LACERA membership began on 9/1/2008. On 04/01/10, as a result of being laid off, Mr. Jones terminated (non-vested) with 1 year 7 1/2 months of service credit.

Mr. Jones was rehired in a temporary "O" item from 6/14/10-1/12/11. During the temporary position the member was not allowed to retain membership because of his non-vested status.

On 01/13/11 Mr. Jones became permanent and transferred to an "A" item and requested to purchase his temporary service.

Membership Stream



Related Concepts

Continuity of Membership
 Previous Service vs. Membership
 Returning Membership
 Temporary County Service

Continued on next page

**Related
Concepts,
continued**

Section 31629.5: the right to elect to leave accumulated contributions on deposit in retirement fund; revocation of election; service credit as employee of reciprocal system:

(a) Notwithstanding Sections 31628 and 31629, on and after January 1, 2003, a member who is credited with less than the number of years of service required for vesting shall have the right to elect to leave accumulated contributions on deposit in the retirement fund. Failure to make an election to withdraw accumulated contributions shall be deemed an election to leave accumulated contributions on deposit in the retirement fund.

(b) An election to allow accumulated contributions to remain in the retirement fund may be revoked by the member at any time except: (1) while the member is employed in county service in a position in which the member is not excluded from membership in this system with respect to that service; (2) while the member is in service as a member of a public retirement system supported, in whole or in part, by state funds; or (3) while the member is in service, entered within six months after discontinuing county service, as a member of a reciprocal retirement system. All accumulated contributions contributed up to the time of revocation may then be withdrawn.

(c) A member whose membership continues under this section is subject to the same age, service, and disability requirements that apply to other members for service or disability retirement. After the qualification of the member for retirement by reason of age, which shall be the lowest age applicable to any membership category in which the member has credited service, or disability, the member shall be entitled to receive a retirement allowance based upon the amount of the member's accumulated contributions and service standing to the member's credit at the time of retirement and on the employer contributions held for the member and calculated in the same manner as for other members.

(d) Service, solely for purposes of meeting minimum service qualifications for service or disability retirement, shall also include service credited as an employee of a reciprocal system when the member retires concurrently from all reciprocal retirement systems. A member whose combined service from all reciprocal retirement systems does not meet the minimum service qualifications may not receive a service or disability retirement from this system.

(e) Notwithstanding Section 31467, for purposes of this section, "accumulated contributions" means the sum of all member contributions standing to the credit of a member's individual account, and interest thereon

Continued on next page

Module I Sample Scenario, Continued

Article 7

Article 7 Section 31642: continuity of service; designation of matters not breaking continuity

The following shall not be considered as breaking the continuity of service:

- (a) A temporary layoff because of illness or for purposes of economy, suspension, or dismissal, followed by reinstatement or re-employment within one year.
- (b) A leave of absence followed by reinstatement or re-employment within one year after the termination of the leave of absence.
- (c) A resignation to enter, followed by entrance into, the armed forces of the United States, followed by re-employment by the county or district within six months after the termination of such service.
- (d) Resignation of a member who has elected in writing to come within the provisions of Article 9 followed by re-employment before withdrawal of any accumulated contributions.

The withdrawal of accumulated contributions followed by redeposit of the contributions upon re-entrance into service does not constitute a break in the continuity of service.

Board of Retirement Regulations

Article 3 Section 4: the provisions for employees who return to membership:

- (a) Any member of the Retirement Association who has elected to take deferred retirement and who by reinstatement, rehire, or transfer, is appointed to a position in which membership in the Retirement Association is compulsory, shall immediately return to active membership in the Retirement Association with a contribution rate based on the member's retirement plan in effect at the time of the member's most recent election to take a deferred retirement.
- (b) Any member of the Retirement Association who has elected to take deferred retirement and who by reinstatement, rehire, or transfer, is appointed to a position in which membership in the Retirement Association is not compulsory may file, at any time, a written election to terminate such deferred retirement and return to active membership with a contribution rate based on the member's retirement plan in effect at the time of the member's most recent election to take a deferred retirement. Such written election shall specify whether the member also elects to receive credit for any County service not previously credited up to the date of the election. Contributions for such creditable service may be made at any time prior to the effective date of retirement and shall be calculated upon actual earnings, not including overtime, plus the interest which would have been credited to the member's account had contributions been made on the earnings.

Continued on next page

Module I Sample Scenario, Continued

Discussion Questions

Review the CERL provisions, Board of Retirement Regulations, and the above scenario, and then answer the following questions.

1. Based on CERL Article 6 Section 31625.9 what are Mr. Jones' rights with regard to this specific scenario? Please explain in detail.
2. What provisions does CERL Article 7, Section 31642 provide for this specific scenario?
3. What provisions does Board of Retirement Regulation Article III provide a deferred member who is reinstated?
4. Please identify the problem in the above scenario and explain in detail why it is a problem.

Considerations

According to the provisions of the Law, please discuss the alternatives regarding how the period of "O" item temporary time should be treated.

Proposed Solution

Please discuss how the temporary time should be calculated. Please provide a rationale for your decision.

Overview of Leadership Modules

ACE Foundations of Leadership Workshops

“The ACE Foundations of Leadership” is a series of workshops that will focus on critical aspects of leadership such as, self-awareness, emotional intelligence, and conflict resolution. These modules will be facilitated by outside vendors and accompany the CERL technical modules.

Sample Leadership Workshops

Emotional Intelligence

This team-building workshop focuses on one essential aspect of leadership: Emotional Intelligence (EQ). It contains exercises designed to help the participants gain a deeper understanding of their emotional intelligence. Studies show that emotional intelligence is a better predictor of success than IQ or technical skills.

Conflict Resolution

This team-building workshop focuses on conflict resolution style and preference. In this workshop, the participant learns about several different ways to approach conflict. They gain understanding of how different conflict-handling styles affect interpersonal and group dynamics. They achieve an understanding of their own preferred conflict style and what it uniquely means about them. They are then empowered to choose the appropriate conflict style for any situation in the workplace.

Continued on next page

Overview of Business Modules

ACE Business Modules

In the business segment the participants learn valuable business skills and are provided with a platform in which they are challenged to apply them. Like the leadership segment, these courses will be facilitated by outside vendors and complement the CERL technical modules.

Sample Business Modules

LACERA Business Communications

The purpose of this course is to add value and quality to LACERA employee interactions by preparing the participant to communicate effectively and successfully in an organizational setting. This course provides the participant with oral and written business communication skills vital to personal success and business operations. It provides the participant with best practices for writing emails, memos, and leaving voice mail messages. It also provides best practices for engaging in more productive meetings and conversations.

Critical Thinking & Decision-making

The purpose of this course is to enhance the participant's ability to think critically. This course is designed to introduce participants to the critical-thinking process. It facilitates their ability to open their minds to all of the factors involved in determining what is right or wrong, or the best course of action. It emphasizes the important factors including ethics, logic, CERL, LACERA policy, and the LACERA mission, vision and values as applied to the critical thinking and decision-making process.

Schedule of Pilot Phase I Courses

Implementation of ACE Phase I Pilot Program 2017/2018			
Date	ACE Topic	Facilitator	Days
March 8th & 14th, 2017	Introduction to CERL	Michael Herrera	2 days
Mar. 15, Apr. 19th-20th	Introduction to Online Resources	LACERA Management	3 days
May 23rd, 2017	Leadership Ethics Living the Mission, Vision, & Values	Center for Organizational Effectiveness	1 Day
June 19th-22nd & 27th & 28th	CERL Module One/ Membership	Q.A. Training Team	6 Days
July 25 th 2017	Understanding Emotional Intelligence	Center for Organizational Effectiveness	1 Day
Aug. 24th	Business Communications	Stacey Geck	1 Day
Sept. 12th-14th & 19th-21 st , 2017	CERL Module Two/ Previous Service	Q.A. Training Team	6 days
Oct. 31st-Nov. 1 st , 2017	Root Cause Analysis	Institute of Internal Auditors	2 Days
Nov. 14th-16th & 28th-30 th , 2017	CERL Module Three	Q.A. Training Team	6 Days
December 2017	Holiday		
Jan 16th-18th & 23rd-25 th , 2018	CERL Module Four / PEPRA	Q.A. Training Team	6 Days
Feb. 2018	Strategic Thinking	AMA	1 Day
May 2018	Conflict Management	Stacey Geck	1 Day
July 2018	CERL Module Five Disability/Survivorship	Q.A. Training Team	6 Days
September 2018	CERL Module Six	Q.A. Training Team	6 Days
November 2018	Administrative Appeal Internship	Member Services Management Team	30 Days
December 2018 Completion of Pilot Program Phase I			
January 2019	Evaluation/Revisions	Q.A.	

LACERA

Advanced CERL Education

By

Dr. Arlene J. Owens

Inspiration for Quality

Preparation for Excellence

What is the ACE Program?

- Strategic Plan Initiative (pg. 12)
- In House Training Program
- Permanent LACERA Employees
- Advanced Curriculum

Development Timeline

- **Needs Analysis (2012)**
- **Program Design (2013-2015)**
- **Program Development (2017-2020)**
 - Pilot Phase I
 - Pilot Phase II
- **Program Implementation (2021)**
- **Program Evaluation (2022)**

What We Needed

- Well-rounded Advanced Staff
 - Advanced Business Acumen
 - Increased Understanding of the Laws
 - Compliance Orientation
 - Critical Thinking
 - Leadership Growth
 - Ethical Perspective

What We Needed

- More Relevant than Certified Employee Benefits Specialist CEBS Credentialing Program
- Specific to CERL / LACERA

- In House Training Program
- Permanent LACERA Employees
- Advanced Curriculum
- More Advanced than New Hire Training

Comparing ACE to Core

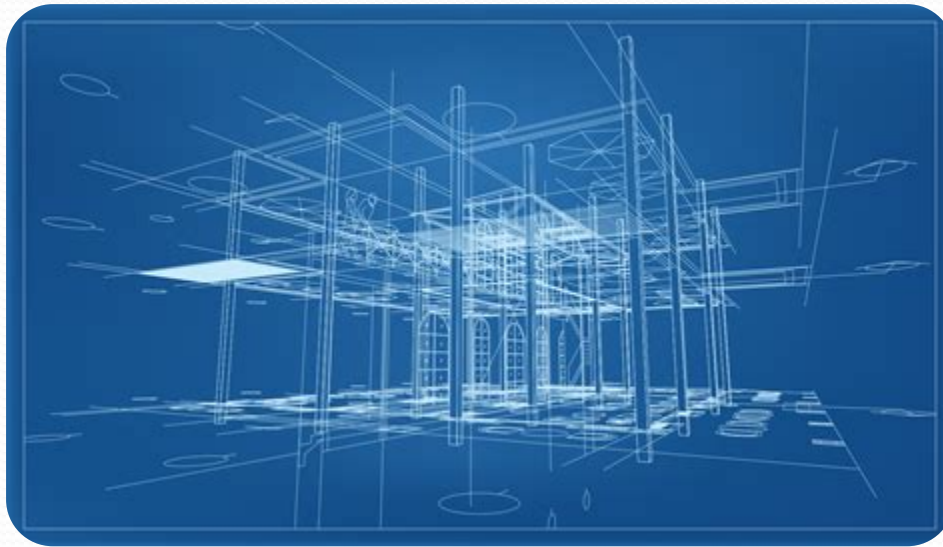
Core Benefits Training

- One-Dimensional Curriculum
- Basic Core Benefits/Processes
- Classroom Lecture
- Emphasis on How to Process
- Develops Ability to Process Work

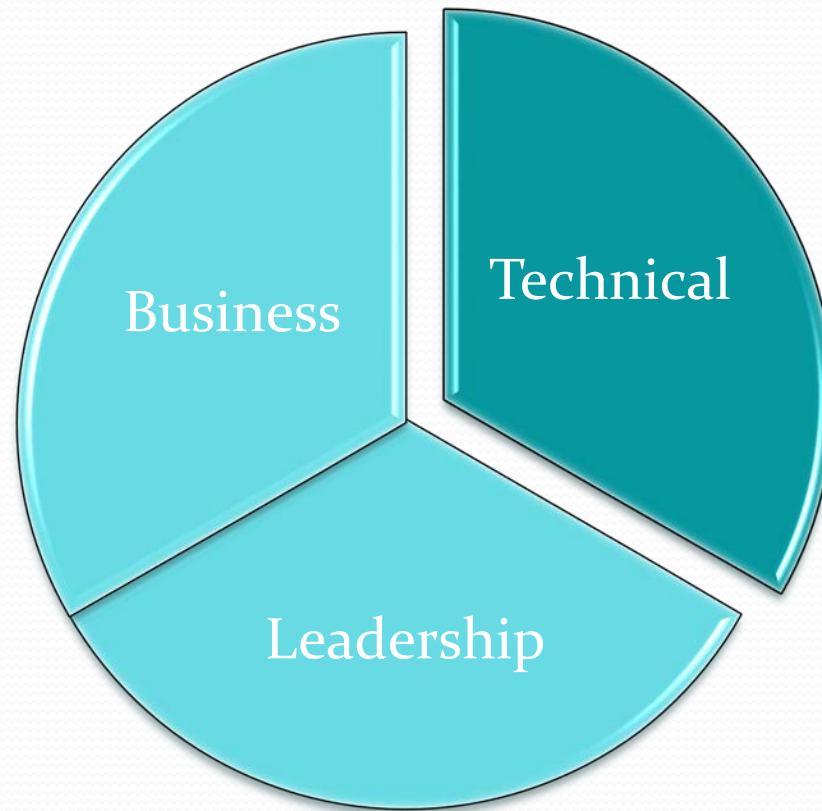
Advanced CERL Curriculum

- Three-Dimensional Curriculum
- More Complex Scenarios
- Self-Paced Learning
- Classroom Discussion
- Emphasis on Governance/Law & Compliance
- Develops Multiple Competencies
 - Personal Leadership
 - Critical Thinking
 - Strategic Thinking
 - Problem Solving
 - Decision-Making

Program Design

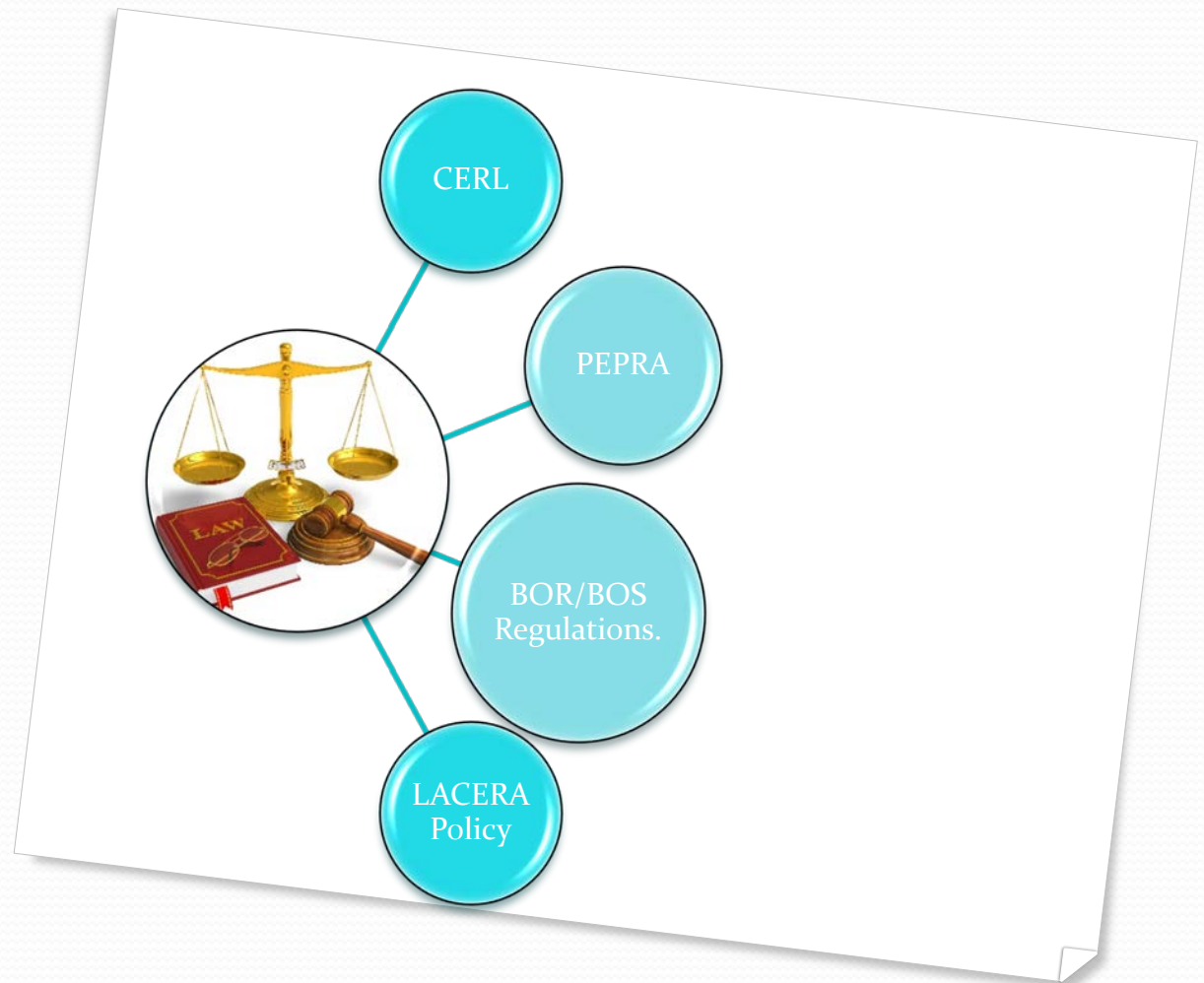


ACE Certification Program Three-Dimensional Curriculum Model



Technical Modules

Complex Scenarios
Application of the Laws



Internship Periods

- 30 to 60 Day Period
- Experiential/Hands-on Learning
 - Administrative Appeals Process (Phases I & II)
 - Policy Development (Phase II)
 - Disability Process (Phase II)
 - Death & Legal Process (Phase II)

Soft Skill Courses

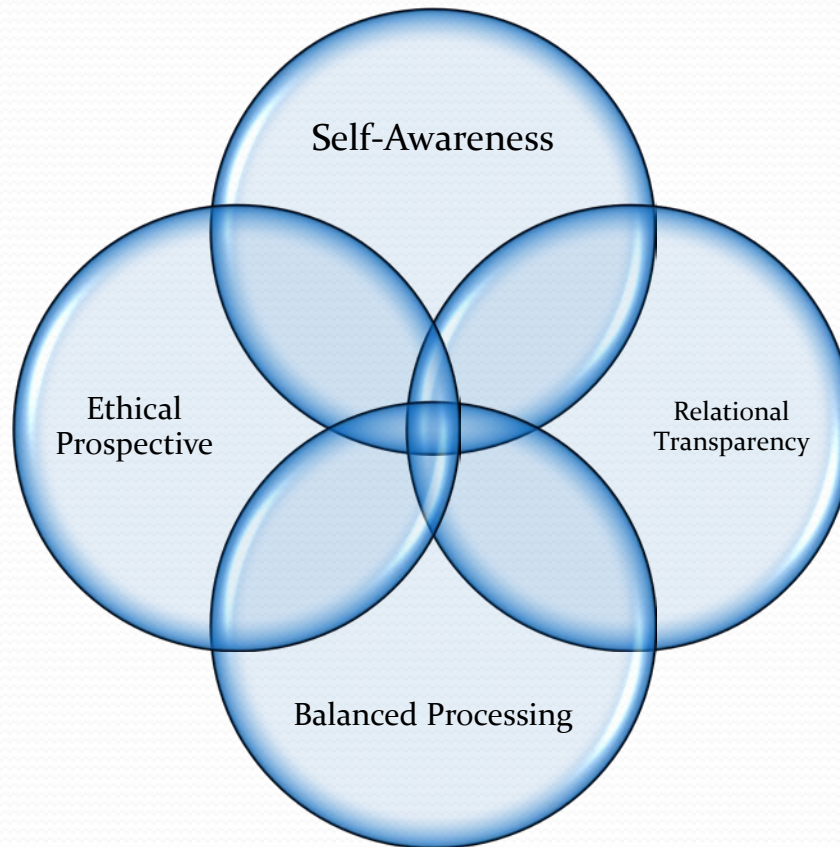
- Leadership Development
- Business Skills



Leadership Courses



Authentic Leadership Components



Business Skills Courses

Root Cause
Analysis

Strategic
Thinking

Business
Communication

Implementation



Pilot Phase One is Complete!

- March 2017 through December 2018 (22 months)
 - Curriculum Development & Testing
 - 12 Pilot Team Members
 - Benefits (One)
 - Member Services (One)
 - Quality Assurance (Ten)

What are Participants Saying?



Participant Testimonies

- Respondents answered the following questions *Agree* or *Strongly Agree*
 - Better Understanding of BOR Regulations? 88%
 - Better Understanding of CERL/PEPRA? 88%
 - Increased decision-making ability? 100%
 - Increased problem-solving ability? 100%
 - Challenging & advanced my learning? 100%
 - Confident decisions will be in compliance? 100%

Participant Quotes

- What knowledge or skill did you gain as a result of this experience?
 - **“Strengthens your critical thinking, analyzing skills, and decision making skills.”**
 - **“Enhanced my decision-making & researching skills.”**
 - **“It took me away from the calculation part of retirement and helped me strengthen my analytical skills.”**

Participant Quotes

- How did this experience benefit your understanding of how decisions are made at LACERA?
 - **“You get to experience it first hand and see how all decisions are made according to CERL keeping our fiduciary duty in mind.”**
 - **“It gives you a better understanding about CERL and how our organization operates.”**

Participant Comments

- What did you like most about the ACE Modules?
 - **“Open discussions were very helpful.”**
 - **“Getting different perspectives”**
 - **“Referencing the law [applicable] in the scenarios”**



What's Next?

Pilot Phase II –Testing

- Feb 2019 through June 2020 (17 months)
- Content Testing & Evaluation
- Five Pilot Team Members
 - Benefits (one)
 - Disability Retirement Services (one)
 - Member Services (one)
 - Quality Assurance (one)
 - Retiree Healthcare (one)

The Future of ACE

- Certification Bonus
- Model for Other Systems

Benefits of the ACE Program

- Member-facing Divisions
 - Understanding the reality of others
 - Set real-time expectations for our members
- Enhanced Member Experience
 - One call/inquiry, One response
 - Clean Data Counseling Sessions
 - Reduction in Member Appeals

Benefits of the ACE Program

- Measure Satisfaction through Surveys
 - Explore all methods
 - In-person after counseling sessions
 - Electronically after phone call
 - Via mail with completed member requests
- Management Feedback on Participants
 - Difference in behavior
 - Enhanced Communication

LACERA's Future

- Platform for Succession Planning
 - Leadership and Business Soft Skills
 - Appeals, PMG, QA Production Periods

Quality Assurance & Metrics



ACE

Refresher

CORE Benefit
Training



Questions?

STRATEGIC PLAN

Retirement Benefits
FOR FISCAL YEARS ENDING 2018-2020



L/CERA

OUR HISTORY

On January 1, 1938, LACERA was established to provide retirement allowances and other benefits to the safety and general members employed by Los Angeles County. Subsequently, LACERA expanded its membership program to include four outside Districts:

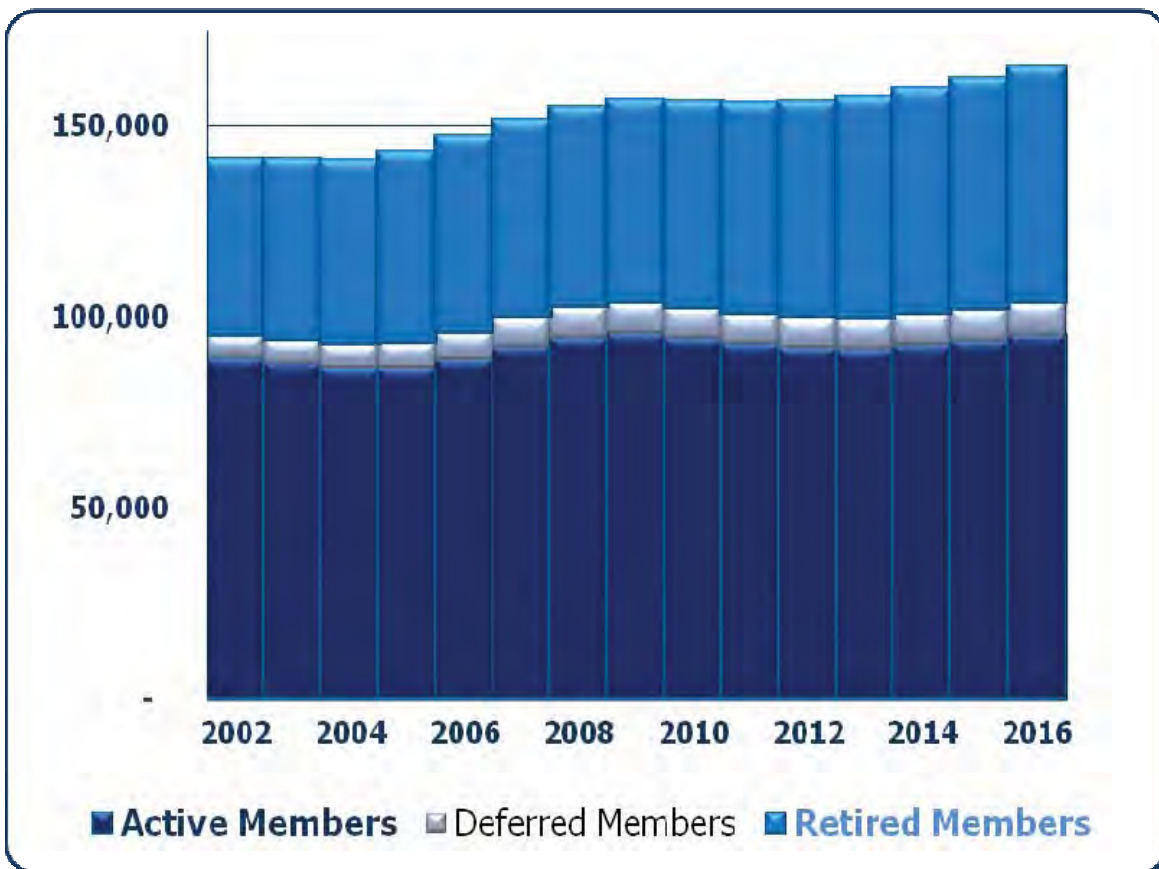
- Little Lake Cemetery District
- Local Agency Formation Commission
- Los Angeles County Office of Education
- South Coast Air Quality Management District

LACERA is governed by the California Constitution, the County Employees Retirement Law of 1937 (CERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, bylaws, procedures, and policies adopted by LACERA's Boards of Retirement and Investments. The Los Angeles County Board of Supervisors may also adopt resolutions, as permitted by CERL, which may affect benefits of LACERA members.

The Board of Retirement is responsible for the general management of LACERA. The Board of Investments is responsible for determining LACERA's investment objectives, strategies, and policies. Both Boards appoint a Chief Executive Officer, to whom is delegated the responsibility of overseeing the day-to-day management of LACERA and adopting its annual administrative budget.

OUR MEMBERS

When we look at the members we serve, we see more than 160,000 individuals, each with a unique set of circumstances. And we see opportunity. For our active members, we see their opportunity to eventually retire with a secure future and we see our opportunity to provide them with the knowledge they need to make strategic choices throughout their careers that will enhance their retirements. For our retirees, we see more than the disbursement of a monthly benefit. We see the opportunity to provide the peace of mind that comes with knowing they will not outlive their hard-earned retirement allowances and that their eligible designated survivors will receive any benefits to which they are entitled.



OUR MISSION

Produce, Protect, and Provide the Promised Benefits

We see our mission as vast, yet personal. Although it is framed by statutes and diligently executed by highly-trained professionals, it is implemented each day on a personal level, with a personal touch. We see efficient service through education and compassion. We also see a prudently invested retirement fund, strategically positioned for long term growth.

OUR CORE VALUES

PROFESSIONALISM • We take the initiative to develop our skills to get the job done. We are accountable for providing quality service to our members that is efficient and accurate.

RESPECT • Our members and coworkers deserve to be treated with courtesy, patience, and empathy. When we listen to and support each other, we create a nurturing work environment that promotes fairness and trust.

OPEN COMMUNICATIONS • Our frank and straightforward expression of ideas fosters a common understanding of purpose – quality service to our members. We create a healthy work environment by sharing information, listening to each others' ideas, and giving constructive feedback.

FAIRNESS • Our employees are entitled to a clear explanation of performance expectations. Performance evaluations are timely, honest, and impartial; personal improvement plans are reasonable and constructive; and we provide opportunities for professional development and promotion.

INTEGRITY • We inspire confidence by our high standards for member services and sound investment practices. We are reliable, ethical, and honest. Loyalty to LACERA means loyalty to members. Integrity guides all of our work relationships.

TEAMWORK • We are committed to teamwork and we openly share information and ideas. Working together to reach common goals is the essence of success.

OUR OBJECTIVES

• PRUDENT FIDUCIARY •

To act at all times as prudent fiduciaries, executing our responsibilities exclusively on behalf of our members, beneficiaries, and participating employers.

• RESPONSIVE QUALITY SERVICE •

To provide responsive and consistent quality service using integrated cost-effective procedures and practices.

• COMMUNICATION •

To promote and enhance the understanding of LACERA benefits among members, employers, County officials, and the public.

• QUALITY WORKFORCE •

To develop a human resources program to recruit, train, develop, and promote qualified staff; provide a quality work environment and enhance the quality of life for our employees.

• MANAGE GROWTH AND CHANGE •

To manage growth and change through planning, innovation, and the maximum use of available technology.

STRATEGIC INITIATIVES



Modernization of Information Technology

Information Technology plays a crucial role in every aspect of serving our membership. Our commitment to technological solutions dates back to the late 1980's when we built our own retirement processing data center, databases, and data programs. This effort continues with the transition to modern databases, graphical user interfaces, electronic documents and disaster redundancy.

• Disability Retirement •

We continue to focus our organizational energy on modernizing our disability investigation processes through revising Board policy, streamlining staff procedures, evaluating staffing deployment, changing operational expectations, improving accountability, creating new measurement structures, and developing new assistive technology tools.

Task	Implementation
Disability Process Modification	FY 2013-14
Disability Data Integration: Tracker	FY 2013-14
Disability Document Management	FY 2015-16
Disability Process Management	FY 2017-18
Board and Management Metrics Reporting	FY 2017-18
Disability Medical Document Portal – System	FY 2017-18
Disability Medical Document Portal – Training	FY 2017-18
Case Management	FY 2017-18

• Disability Appeal Process Modernization •

We are leveraging our efforts and the lessons learned in the Disability Retirement process to modernize the Disability Litigation appeals process by streamlining staff processes and procedures, developing case management tools to improve resource management, process and manage Writs, and develop a new measurement structure to provide greater insight into the caseload.

Task	Implementation
Digital Appeal Packages	FY 2016-17
E-Board Package – Disability Appeal Cases	FY 2016-17
Planning Writ Process Management	FY 2016-17
Implement Writ Process Management	FY 2017-18
Appeal Process Management	FY 2017-18
Retire Legacy System: Tracker	FY 2017-18

• Managing Work through the Job Ticket Process •

Through the years, LACERA introduced various tools to improve accuracy, timeliness, and reliability of our member transactions. Building upon this foundation, LACERA is designing and implementing a system to track the progress of each transaction as it undergoes triaging, assigning, calculating, quality review, and completion. Intrinsic to each "job ticket" is process-centric and member-centric meta data to efficiently and effectively manage work objects.

Task	Implementation
Job Ticket 1.0 – Planning	FY 2013-14
Job Ticket 1.0 – Prototyping	FY 2015-16
Job Ticket 1.0 – Production	FY 2017-18
Job Ticket 2.0 – Reporting	FY 2017-18
Job Ticket 3.0 – Case Management	FY 2018-19
Job Ticket 4.0 – Audit Version	FY 2019-20

• Knowledge & Content Management •

Provide an Enterprise Content Management System (ECMS) that integrates a centralized search of all knowledge content. We expect to internally ingest the Board of Retirement's Committee documents and implement a user friendly tool to access our membership rules and plan information.

Task	Implementation
Board Package Web Posting	FY 2015-16
Digital Archive: BOI Back file – Implement	FY 2016-17
Digital Archive: BOR Committee – Implement	FY 2016-17
Digital Archive – Disability Case Back file – Evaluate	FY 2017-18
Digital Archive – RFP	FY 2017-18
Digital Archive – Actuary Reports	FY 2018-19
Digital Archive – Accounting Reports	FY 2018-19
Digital Archive – Brochures	FY 2018-19
Digital Archive – Summary Plan Descriptions	FY 2018-19
Digital Archive – Retiree Healthcare Program	FY 2018-19

• LACERA.com •

Our website will support on-line transactions so that our members can self-service their accounts in a protected and expeditious manner.

Task	Implementation
Beneficiary Update	FY 2013-14
Portal Redesign	FY 2016-17
Secure Message Center	FY 2016-17
LACERA.com Redesign	FY 2017-18
On-Line Pension Verification	FY 2017-18
On-Line Form – Service Credit Purchase	FY 2018-19
On-Line Form – Disability Application	FY 2018-19
On-Line Retirement Elections	FY 2019-20

• Retiree Healthcare Program •

In 1987 we embarked on an ambitious program to create our own benefit administration software application. Over the ensuing decades we have devoted considerable resources to support our retirement benefit administration and more recently our disability application work processes. Looking to the future, now is the time to begin planning how to best support the Retiree Healthcare Program with improved document control, workflow, and technology. Similar to our efforts in the disability application area, this will be a multi dimensional effort which will require us to evaluate Board policy, staff procedures, staffing deployment, operational expectations, accountability, and measurement structures.

Task	Implementation
Develop Needs Assessment	FY 2017-18

• Managing Member Interactions •

The ability to provide world class service to our members is dependent on ensuring LACERA manages member interactions in an efficient manner, measures service levels, as well as keeping an accurate record of member interactions in the member's file. LACERA will focus resources on expanding our ability to record and store inbound and outbound calls with members to the Benefits and Disability Retirement Services divisions. Recording calls ensures we have an accurate record of member interactions which improves service and can be leveraged to provide quality assurance and training to staff. We will also begin focusing on the development of a Member Service Center queuing system to improve our ability to forecast, budget, and allocate staffing resources and improve management of service levels in the Member Service Center.

Task	Implementation
Member Service Center Queue System – Planning	FY 2017-18
Call Recording – Benefits Division – Planning	FY 2017-18
Call Recording – Disability Division – Planning	FY 2017-18
Replace Call Recording System	FY 2018-19

• Workspace •

The information system will facilitate member service while protecting membership information. The system environment and programs will be continually evaluated and updated. We look to improve the way we circulate the member's electronic document by creating a Job Ticket processing system.

Task	Implementation
Replace Green Screens	FY 2017-18
Retire CICS	FY 2017-18
COBOL Program Replacement – Planning	FY 2017-18
Update Estimate Program	FY 2017-18
Multiple Plan Streams	FY 2018-19
Reengineer 1st Payment – Planning	FY 2018-19



Quality Ecosystem

Quality is paramount to the success of this organization. Quality must be ingrained in everything we do. Quality must be developed, nurtured and evolve as our staff, systems, processes, and services transform. Our plan includes multiple initiatives to feed, care, and grow our quality ecosystem.

• Operational Compliance •

LACERA continues implementing innovative and best practice quality initiatives by introducing another line-of-defense -- a formalized Operational Compliance program. The Operational Compliance program is geared to nurture a culture of compliance and to provide a structured and transparent approach to adhere to operational processes, policies and key organizational training regiments. The program's ultimate success is achieved by an organization demonstrating a culture of compliance and ethical business practices coupled with the efficient and effective integration of Operational Compliance into our daily business practices.

Task	Implementation
Create Compliance Program Charter	FY 2017-18
Implement Organizational Compliance Committee	FY 2017-18
Develop Compliance Reporting Protocols	FY 2017-18
Develop Policy Governance Procedures and Training	FY 2018-19
Develop and Deliver Compliance and Ethics Training	FY 2018-19
Inventory LACERA Policies and Standardize	FY 2019-20
Conduct Best Practices Review	FY 2019-20

• **Advanced CERL Education (ACE) Certification** •

The International Foundation of Employee Benefits, in conjunction with the University of Pennsylvania, provides an outstanding educational certification in compensation management covering all aspects of benefits and compensation. This rigorous designation, known as the Certified Employee Benefit Specialist (CEBS), allows the student to specialize their CEBS certification into one of three specialty areas:

- *Compensation Management Specialist* - compensation and human resources
- *Group Benefits Associate* - healthcare and other group benefits
- *Retirement Plans Associate* - all aspects of retirement plans

While these are excellent educational opportunities, they do not specifically address plan design, practices, and procedures unique to LACERA. Our initial concept is for the ACE certification to serve as advanced certification available to LACERA's Claims Processing, Member Services, Retiree Healthcare, Quality Assurance, and Internal Audit staff. The program would include an eligibility test, class work, proficiency tests (classroom and production), and continuing education requirements. It is our hope that this designation will be eligible for certification compensation.

Task	Implementation
Develop ACE Program	FY 2016-17
Implement Program	FY 2017-18
Graduate Inaugural Class	FY 2018-19

• In-Line Quality Audits •

LACERA made great strides building a quality ecosystem over the past 10 years. Our efforts include comprehensive training courses, data clean-up projects, apprenticeship programs, standardized business practices, and independent quality assurance. These practices achieved impressive results with our quality improving from 88% to a world class quality level exceeding 98%. Our next evolutionary step is to identify data anomalies and calculation errors earlier when working a member's account to prevent errors from reaching the member in the first place.

Task	Implementation
Increase the In-Line Audit Ratio to 60%	FY 2015-16
Increase the In-Line Audit Ratio to 75%	FY 2016-17
Assess Program Resource Requirements	FY 2017-18

• Member Centric Process Management •

Benefits Division developed a Process Management Group (PMG) that is successfully managing its business rules, documentation and tools so that they are coordinated, standardized, and optimized through a continuous process improvement effort. Our Strategic Plan will expand this effort to include all member centric service divisions and business rule repositories.

Task	Implementation
Develop Coordinated Procedures	FY 2017-18
Monitor and Harmonize Procedures	FY 2017-18
Audit Program	FY 2017-18
Develop Requirements for Knowledge System	FY 2018-19

• Member Communications •

Members have important retirement choices to make, from plan selection when first hired through choosing the best date and retirement option at the end of their careers. It is our responsibility to provide the education they need to make good choices for their individual circumstances. Our strategic direction is to continue to expand and improve our communication to members by offering a wide variety of user-friendly, updated, informative, and creative educational tools that include print materials, seminars and workshops, website materials, videos, etc. We will review our current pre-retirement workshop and develop and offer topic-specific modules that members could choose from as alternatives.

Task	Implementation
Outreach Web Video – New Member	FY 2014-15
Active Member Benefit Statement	FY 2017-18
Retirement Estimate Document	FY 2017-18
Retirement University – Course 1	FY 2017-18
Retirement University – Course 2	FY 2018-19
Member Survey – Customer Needs	FY 2019-20

• Student Internship Program •

The purpose of the LACERA Student Internship Program is to employ students at the graduate and undergraduate levels, in fields of study that will be beneficial to LACERA while providing the students with challenging work experience and exposure to the public pension industry and the business operations of a governmental entity. Through this program, LACERA hopes to increase awareness of the positive community impact made by public defined benefit plans and encourage students to pursue LACERA careers.

Task	Implementation
Develop Program	FY 2016-17
Present Program for Board Approval	FY 2016-17
Implement Program	FY 2016-17

• Board Room Operations •

It is important for all members of the organization, Board, management, and workers, to be dedicated to creating and maintain a professional workspace. The Board's workspace should foster an aesthetic appearance while maintaining functionality and readily communicate LACERA's commitment to its membership.

Task	Implementation
Board Room Branding Entryway	FY 2017-18
Board Room Branding Meeting Room	FY 2017-18
Board Room Speaker Timer and Signal	FY 2017-18

• Succession Planning •

Succession planning is an important part of doing business, no matter how certain the future seems. It promotes strong leadership, facilitates organizational responsiveness, and builds team strength. A successful plan includes employees throughout the organization at all operational levels.

Task	Implementation
Employee Survey – Planning	FY 2016-17
Employee Survey – Conduct	FY 2017-18



Scrubbing Legacy Data

Our membership data is diverse, voluminous, and spans many decades of time. We maintain our membership data for perpetuity. The consequences of poor or incomplete data can magnify as time progresses and may cause serious ramifications to our members. The 1989-90 database conversion includes a series of poor or incomplete data that has placed a number of our members in harm's way. Our three year Strategic Plan places a high priority in scrubbing our legacy data.

• Member Data Evaluation •

A multi-year project plan to identify and prioritize data clean-up projects that will improve processing accuracy and service to members.

Task	Implementation
Multiple Sworn Statements – 2,800	FY 2014-15
MOU Retroactive Salary Adjustments – 26,000	FY 2014-15
Missing Service Credit – 1,000	FY 2015-16
Back Contributions Uncollected – 1,000	FY 2015-16
Service Contract not Resident – 1,000	FY 2015-16
Recalculate Contracts Uncompleted – 4,000	FY 2017-18



Implementing PEPRA

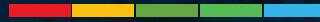
The Public Employees' Pension Reform Act of 2013 (PEPRA) required LACERA to open new plan tiers, design information systems to support the new benefit structure, develop member communications, conduct staff training, and create new monitoring protocols. With the new plan tiers successfully launched, the organization needs to take a fresh look at the additional implementation efforts yet to be completed.

Task	Implementation
PEPRA Implementation Needs Assessment	FY 2016-17
PEPRA Implementation Tactical Plan	FY 2017-18

GR:RH:JP
Strategic Plan Retirement Benefits 2017 Committee Proposal January 2017.docx

THE PRE-CONVERSION SERVICE CREDIT PROJECT

A Major Step Forward in Improving Efficiency and Accuracy





VANESSA GONZALEZ

MEMBER SERVICES

STEPHANIE KAWAI

BENEFITS

A BRIEF BACKGROUND



STRIVING FOR EXCELLENCE

A BRIEF BACKGROUND



Continually working to ensure data in members' accounts are as accurate as possible.



Have identified data errors and addressed them through various clean-up projects.



The Pre-Conversion Service Credit Project is the next step toward this goal.

A TALE OF THE 90'S

A BRIEF BACKGROUND



1990 THE CONVERSION PROJECT

brought LACERA into the modern age of a computerized system.

- ❖ Enormous scope
- ❖ Limited resources
- ❖ Time constraints

Best course of action: Credit full service and correct service by the time a member retires.

IMPACT
AFFECTS



IMPACT
ERRORS

SERVICE CREDIT
ERRORS

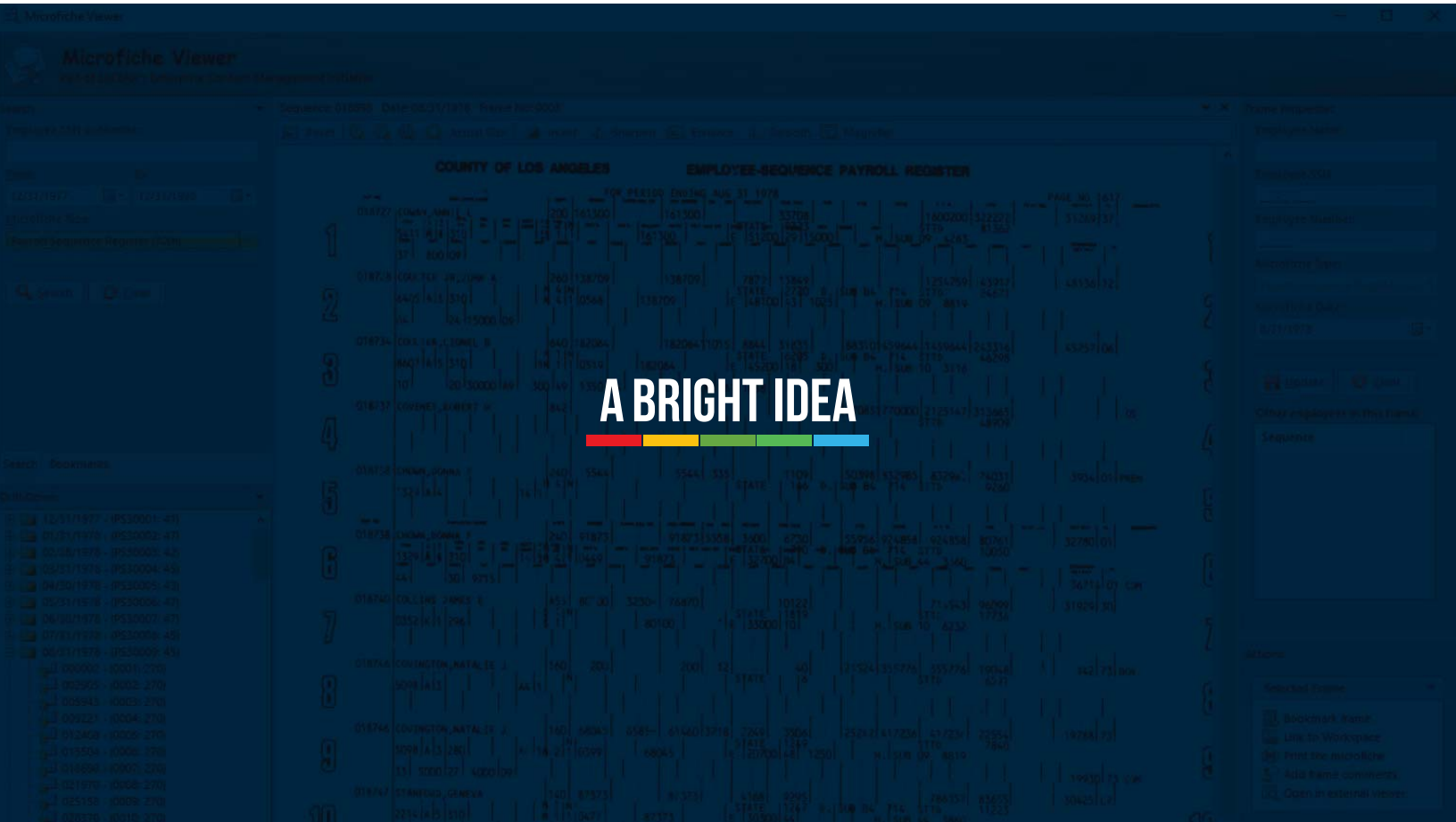
ANNUAL BENEFITS STATEMENTS

ESTIMATES VIA THE MEMBER PORTAL

POTENTIAL FOR INCORRECT PAYMENTS, IF NOT CAUGHT

PREVENTS LACERA FROM MAKING THE MOST OF OUR TECHNOLOGY

HISTORICALLY, PRE-CONVERSION SERVICE CREDIT COULD ONLY BE
CONFIRMED THROUGH OLD MICROFICHE RECORDS.



A BRIGHT IDEA



MICROFICHE CONVERSION

Circa 2012, Systems launched Microfiche Viewer

ELIMINATED

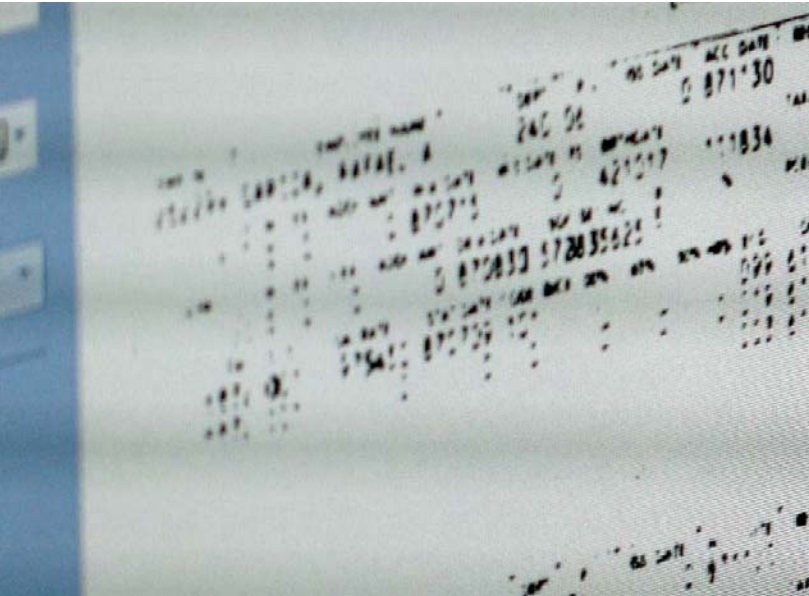
the need for bulky microfiche readers and storage for the millions of microfiche housed in Benefits.

SCANNED

Scanned images of the individual microfiche frames were accessible by multiple staff simultaneously.

PRESERVED

Preserved the images and guarded against loss.



STAFF AND SUPERVISOR FEEDBACK:

tagging microfiche is tedious and affects productivity. Having the microfiche tagged ahead of time could increase efficiency.

MICROFICHE TAGGING

EVERY CASE VARIES

but a Pre-Conversion case may require between 20-40 microfiche simply to verify service credit prior to 1990.

CITY OF LOS ANGELES PAYROLL									
EMPLOYEE SEQUENCE REGISTER ACCRUED 11-30-88									
EMPLOYEE NO.	EMPLOYEE NAME	EMPLOYEE STATUS	EMPLOYEE CLASS	EMPLOYEE GRADE	EMPLOYEE RATE	EMPLOYEE PAY	EMPLOYEE TAX	EMPLOYEE DED.	EMPLOYEE BAL.
138109	138.809	...	...	...	...
148328	148.328	...	...	...	...
185309	185.309	...	...	...	...
187704	187.704	...	...	...	...
185309	185.309	...	...	...	...

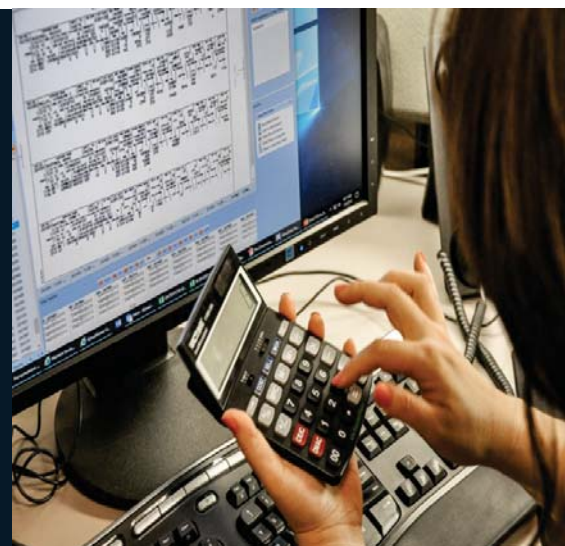
RESOLVING SERVICE CREDIT ERRORS

A BRIGHT IDEA

MEDICARE MEMBER LIST

MEMBERSHIP DT	TERM DT	BIRTH DT	Tagged	Assigned	Tagged Date
19700301	19000101	19470523	Valeria Herrera		12/15/2018
19690301	19000101	19471118	Valeria Herrera		12/15/2018
19720501	19000101	19480113	Valeria Herrera		12/15/2018
19791201	19000101	19481125	Valeria Herrera		12/15/2018
19781201	19000101	19490908	Valeria Herrera		12/15/2018
19730301	19000101	19490908	Valeria Herrera		12/15/2018
19790401	19000101	19490927	Valeria Herrera		12/15/2018
19790401	19000101	19500517	Valeria Herrera		12/15/2018
19871101	19000101	19490205	Valeria Herrera		12/15/2018
19820301	19000101	19490523	Valeria Herrera		12/15/2018
19841001	19000101	19490523	Valeria Herrera		12/15/2018
19860401	19000101	19491030	Valeria Herrera		12/15/2018
19810101	19000101	19470822	Valeria Herrera		12/15/2018

- ❖ Currently, service credit errors are caught when a member requests previous service, or when a member elects to retire.
- ❖ Correcting service credit ahead of retirement provides the member with better customer service and can avert appeals.



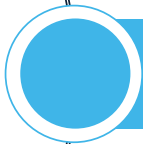
OPPORTUNITY FOR CHANGE

A BRIGHT IDEA



BENEFITS DIVISION

Has a history of correcting data issues through clean-up projects.



PROCESS MANAGEMENT GROUP (PMG)

Recruited to put together a project plan.



SYSTEMS

Ran a report identifying members with Pre-Conversion service credit, who have not retired.

THE PLANNING STAGES





13,800
MEMBERS

in the Pre-Conversion
population

THE PLANNING STAGES



SYSTEMS

Has identified over 13,800 members in the Pre-Conversion population.



PROCESS MANAGEMENT GROUP

Have sorted and triaged the population into smaller, more manageable groups.



SERVICE CREDIT VERIFICATION PROCESS BROKEN INTO FOUR PHASES:

- ❖ Microfiche tagging (estimated at 9,229 hours)
- ❖ Account analysis and adjustment (estimated at 13,800 hours)
- ❖ Checking for accuracy
- ❖ Member notification

THE PITCH

GETTING BUY-IN FROM MANAGEMENT AND THE EXECUTIVE OFFICE



TEAM APPROACH

QUALITY ASSURANCE

Training and checking

MEMBER SERVICES

Tagging microfiche and member notification

BENEFITS

Project coordination, account analysis/adjustment, and member notification



TIMING

PILOT PROGRAM

Wanted to run a pilot program prior to March Madness

OVERTIME

Due to daily workload, Saturday overtime approved

TRACTION

Gain traction and data

CONTINUE

Continue with project after March Madness subsides



THE PILOT PROGRAM



Ran for five Saturdays in November and December, 2018.



Quality Assurance training and materials.



Benefits PMG provided supplemental training and materials, spot-checked cases, assisted and guided volunteer staff, and logged progress.



Member Services provided supervision and the majority of the volunteers.



During the pilot program, staff members from Member Services and Benefits tagged and verified microfiche for 842 accounts.

THE FUTURE OF THE PROJECT

TAGGING REMAINING CASES

If the Microfiche Tagging phase continues on overtime, at the current rate, it would take another 77 weeks of overtime to tag the remaining cases.

ANALYSIS AND ADJUSTMENT

Once March Madness ends, Benefits staff can begin the Account Analysis and Adjustment phase of the project, based on organizational need.

OTHER OPTIONS

- ❖ Hiring 5-7 temporary employees to tag fiche full-time (~44 weeks).
- ❖ Utilizing the LACERA Internship Program and hiring 5-7 interns to tag fiche part-time (~88 weeks).
- ❖ Both options provide a way to recruit and vet potential new permanent employees.
- ❖ Temps or interns can be housed in the Benefits Conference Room
- ❖ Systems is open to working with Benefits to provide computers.

WHY WORK WITH US



ACCURACY

- ❖ The purpose of the project is to verify and correct service credit and notify members so they will know what they are entitled to at retirement.
- ❖ Having clean data will allow LACERA and members to maximize use of our System.



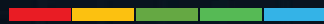
EFFICIENCY

- ❖ Having microfiche tagged for Pre-Conversion cases will cut down the service levels for requests like previous service and retirement elections.

¿QUESTIONS?

Vanessa Gonzales

Stephanie Kawai





Joseph J. Ackler
Legislative Advocate
Principal

- Founded the lobbying firm of Ackler & Associates in August of 1989
- Key issues of lobbying focus: agriculture, airlines, business, environmental, healthcare, packaging, public employees retirement
- Prior to opening the firm, Mr. Ackler grew with ARCO from the role of Director of Media Relations, Philadelphia; to Manager of Constituency Relations, Los Angeles; lobbying assignments in Washington, D.C. and the Rocky Mountain States and establishing himself as the Director of Government Relations in Sacramento responsible for ARCO's state and local government activities throughout California
- B.S. in Political Science from Mount Saint Mary's University (MD.)
- Holds a Master's Degree in Business Administration from Widener University

- Legislative Advocate at McHugh, Koepke & Associates
- Key issues of lobbying focus: privacy, taxation, telecommunications, public employees retirement, alcohol regulation and the gaming industry.
- Consultant to the Senate Governmental Organization Committee.
- Capitol staffer in both the Assembly and the Senate.
- University of La Verne with a Bachelor's degree in Political Science.
- Member, Capitol Network – a non-profit association committed to promoting women in California politics
- Member, California Latino Capitol Association
- Member, Capital Fellows Alumni Association
- Hispanas Organized for Political Equality (HOPE), HLI Class of 2018



Naomi Padron
Legislative
Advocate



LACERA Board Offsite

Joe Ackler | Ackler & Associates

Naomi Padron | McHugh Koepke & Associates

January 22, 2019

2018 Update

January visit to Sacramento,
LACERA's Chief Counsel

SACRS bill on Surviving
Spouse – Opposed

LACERA sponsored bill's
success (Error of law, effective
date of retirement)

August Visit to Sacramento
LACERA's Interim Deputy
Chief Executive Officer



Midterm Election Update

Record Voter Turnout

Assembly (80 Members)
60 Democrats, 20 Republicans

Senate (40 Members)
29 Democrats, 11 Republicans

Governor, Statewide Races

Blue Wave



2019 Planned Activity

Sacramento Visits with our
CEO

Broadening / Building our
retirement administration
connections (CalPERS,
CalSTRS)

Governor Gavin Newsom

New Senate and Assembly
Public Employees and
Retirement Committees

Prepare for possible LACERA
sponsored legislation



Questions & Answers



January 22, 2019

Thank You

L/CERA



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Tony Roda is a partner in the Washington, D.C. law and lobbying firm Williams & Jensen PLLC. He began his professional service in government as a research assistant in the British House of Commons and then worked for 10 years on the legislative staff of Members of the U.S. Congress. Tony has been actively involved in public policy, politics and law his entire professional career.

Since joining Williams & Jensen over 20 years ago, Tony has managed projects that have resulted in specific regulatory relief and changes to statutory law, including the Internal Revenue Code. He has helped numerous clients in the public pension area, including the National Conference on Public Employee Retirement Systems (NCPERS) and state-wide, county and municipal pension plans throughout the country. In addition, Tony has worked on matters related to fiduciary obligations and conflict of interest policies.

He is a member of the National Association of Public Pension Attorneys (NAPPA), frequent speaker at national conferences and webinars, and author of numerous articles on matters affecting state and local governmental pension plans.

Tony earned a Bachelor of Arts degree in Government & Politics from the University of Maryland, Juris Doctor from Catholic University Law School, and Masters in Tax Law from the Georgetown University Law Center. He is a member of the District of Columbia, Virginia and U.S. Supreme Court bars.

Originally from Stamford, Connecticut, Tony now lives in Alexandria, Virginia, with his wife Jennifer and their three children.

LACERA OFF-SITE MEETING JANUARY 22, 2019

Federal Legislative and Regulatory
Overview

The Stage

- ▣ President Trump
- ▣ Senate GOP Majority (53-47)
- ▣ House Democratic Majority (235-199)

Potential Areas of Cooperation

- ▣ Infrastructure
 - Tax treatment of ownership of assets (H.R. 6276, 115th Congress)
 - National Infrastructure Development Bank

- ▣ Cost of Prescription Drugs

Infrastructure Investments

- ▣ H.R. 6276, Strengthening Pensions through Investment in Infrastructure Act
 - Board control (Rev. Rul. 57-128)
 - Arbitrage bonds

- ▣ Proposed Treasury-IRS regulations on arbitrage bonds

Infrastructure Investments

- ▣ Promote acquisition of public infrastructure

- ▣ Three approaches (at least):
 - Complete ownership
 - Complete ownership with intent to sell
 - LP or LLC (consortium-type structure)

Infrastructure Bank

- ▣ House Budget Committee Chairman John Yarmuth (D-KY)
- ▣ National Infrastructure Development Bank
- ▣ NCPERS provided input to Yarmuth's staff

Infrastructure Bank

- ▣ Initial \$75 billion in Rebuild America Bonds
- ▣ 40-year maturity; must be held 10 years
- ▣ Interest: 200 basis points above 30-year bond
- ▣ Possibility of \$300 billion additional bonds

Messaging Bills

- ▣ Health Care
- ▣ Taxes
- ▣ Immigration

Health Care

- ▣ Pre-Existing Conditions
- ▣ Medicare for All
 - For all at age 55
 - Optional buy-in at age 55
 - Optional buy-in at age 55 for first responders

Taxes

- ▣ State and local tax deduction (SALT)

- ▣ Corporate rates

- ▣ For first responders, enhancements to §402(1)
 - Increase and index \$3k
 - Include all public sector workers
 - Structural issues: direct payment; deduction rather than exclusion; surviving spouses

Social Security

- ▣ Mandatory Social Security for Newly-Hired Workers
- ▣ Government Pension Offset
- ▣ Windfall Elimination Provision (WEP)
 - H.R. 6933 (115th Congress)

WEP

- ▣ SS benefit is based on average monthly earnings and the following calculations:
 - 90% of first \$895 (WEP reduces 90% to 40%)
 - 32% of \$896 through \$5,397, plus
 - 15% of remainder

- ▣ Without WEP: $\$895 \times 90\% \times 12 \text{ months} = \$9,666$
- ▣ With WEP : $\$895 \times 40\% \times 12 \text{ months} = \$4,296$

- ▣ Difference of \$5,370 annually!

Secure Choice Plans

- ▣ CalSavers, OregonSaves and IL Secure Choice leading the way
- ▣ 115th Congress
 - DOL safe harbor regulations repealed
 - PROSPERS Act, S. 1035, H.R. 2523
- ▣ Meetings underway on uniformity

Employer Pick Up

- ▣ IRC Section 414(h)(2) allows governmental employers to pick up (i.e., pay for) their employees pension contribution with pre-tax dollars
- ▣ Widely used mechanism and key issue in collective bargaining agreements

Pick Up, cont.

Background

- ▣ No regulations
- ▣ Rev. Rul. 2006-43
- ▣ No CODAs in pick up situation
- ▣ Cash or deferred arrangement = affects take home pay
- ▣ Requests to allow existing employees to elect between two benefit formulas with different employee contribution rates

Tension

- ▣ Promoting retention of DB plans through flexibility
- ▣ Clear path to erode underlying DB benefits

Legislation (115th)

- H.R. 2187
- H. Rept. 115-792
- H.R. 6757, §110

H. Rept. 115-792

The Committee recommends that Treasury-IRS “...initiate a review of the existing regulatory guidance in Revenue Ruling 2006-43, and issue a revised revenue ruling that allows state and local pension plan sponsors to give existing plan participants the choice to make certain elections between pension plans or plan tiers without changing the tax treatment of employer contributions...”

H.R. 6757, Family Savings Act

Amendment to IRC Section 414(h)(2):

...a contribution shall not fail to be treated as picked up by an employing unit merely because the employee may make an irrevocable election between the application of two alternative benefit formulas involving the same or different levels of employee contributions.

Playing Defense

- ▣ Public Employee Pension Transparency Act (PEPTA)
 - Rep. Devin Nunes (R-CA)
 - Sen. Orrin Hatch (R-UT) retired

- ▣ Unrelated Business Income Tax (UBIT)

- ▣ Focus on the Senate

Regulatory Issues

- ▣ Normal Retirement Age
 - Proposed Rule, January 2016

- ▣ Definition of Government Plans
 - ANPRM, November 2011

- ▣ Pension Cost Allocation Rules

Engagement in 2019

- ▣ Congressional meetings on January 29-30
- ▣ Another round in late spring or summer
- ▣ Continuous outreach by W&J and Doucet Consulting
- ▣ Emails/phone calls/meetings as needed

Contact Information

Tony Roda

Partner

Williams & Jensen PLLC

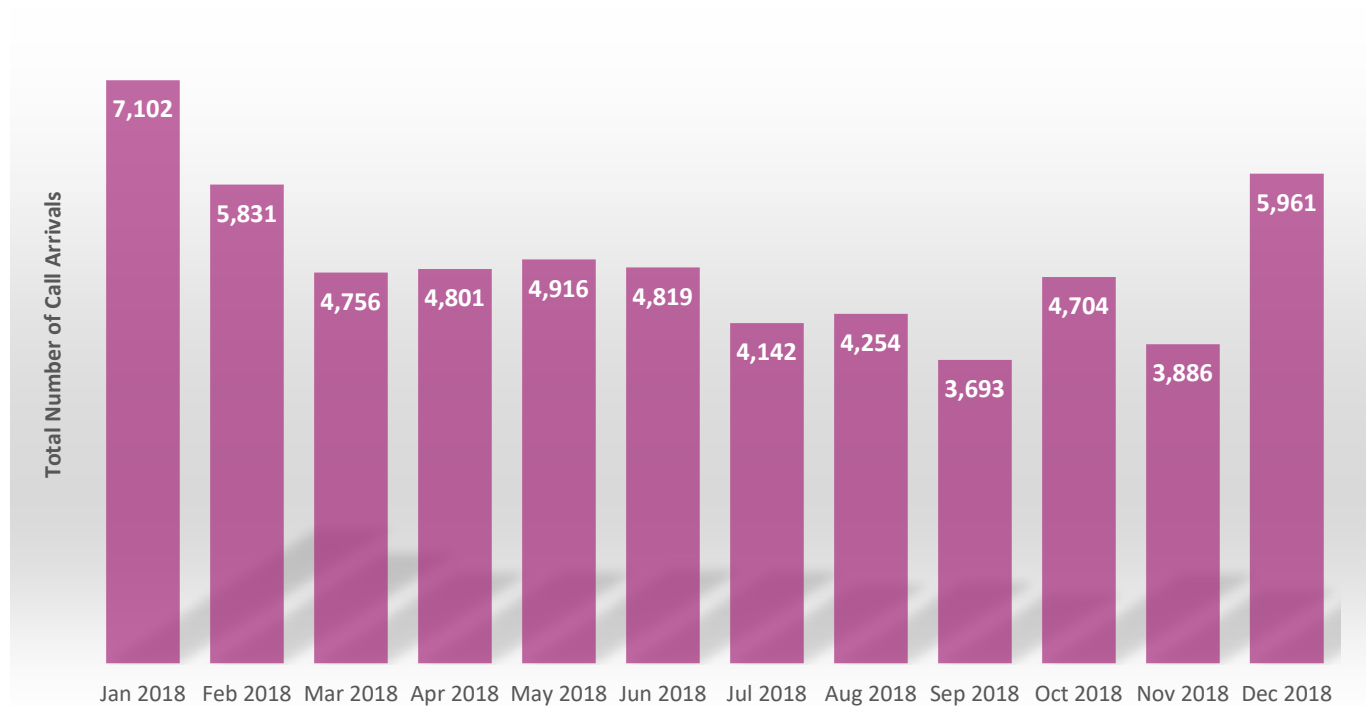
Washington, D.C.

(202) 659-8201

ajroda@wms-jen.com

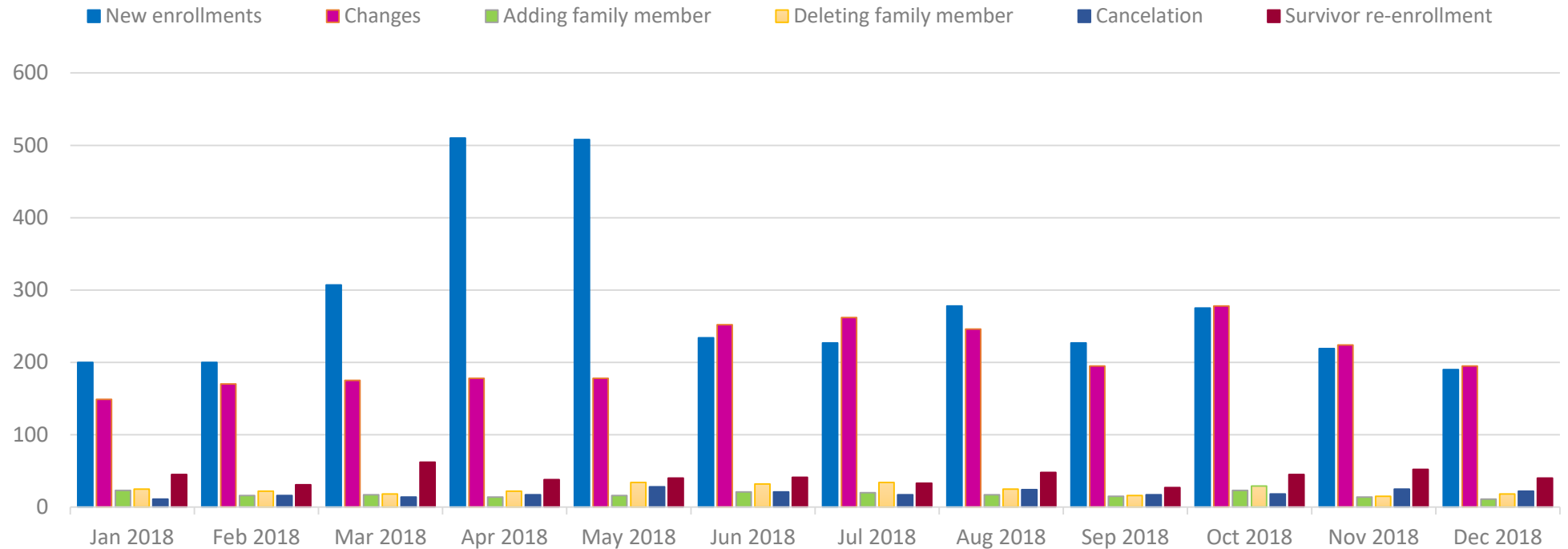
Retiree Healthcare Call Arrivals by Month for 2018

Months	Total Number of Call Arrivals
Jan 2018	7,102
Feb 2018	5,831
Mar 2018	4,756
Apr 2018	4,801
May 2018	4,916
Jun 2018	4,819
Jul 2018	4,142
Aug 2018	4,254
Sep 2018	3,693
Oct 2018	4,704
Nov 2018	3,886
Dec 2018	5,961
Summary	58,865



Retiree Healthcare Enrollment Processing by Month for 2018

	New enrollments	Changes	Adding family member	Deleting family member	Cancellation	Survivor re-enrollment	Total
Jan 2018	200	149	23	25	11	45	453
Feb 2018	200	170	16	22	16	31	455
Mar 2018	307	175	17	18	14	62	593
Apr 2018	510	178	14	22	17	38	779
May 2018	508	178	16	34	28	40	804
Jun 2018	234	252	21	32	21	41	601
Jul 2018	227	262	20	34	17	33	593
Aug 2018	278	246	17	25	24	48	638
Sep 2018	227	195	15	16	17	27	497
Oct 2018	275	278	23	29	18	45	668
Nov 2018	219	224	14	15	25	52	549
Dec 2018	190	195	11	18	22	40	476
Totals	3375	2502	207	290	230	502	7106



Expertise

Ms. Bakich is a Senior Vice President in Segal's Washington, DC office with over 20 years of experience in health care compliance. She is the firm's National Health Compliance Practice Leader.

Ms. Bakich is one of the country's leading experts on employer sponsored health coverage. She specializes in providing research and analysis on federal laws and regulations affecting health coverage, including ERISA, Medicare, HIPAA, COBRA, the Newborns' and Mothers' Health Protection Act, the Mental Health Parity Act, and the Women's Health and Cancer Rights Act.

Ms. Bakich is a recognized expert on the Patient Protection and Affordable Care Act. She speaks regularly about the law, helps plan sponsors understand its short- and long-term effects on their plans, and assists clients with preparing comments on the legislation for submission to regulatory Departments (Treasury, Labor, and Health & Human Services).

Ms. Bakich leads the Segal team responsible for publishing information about new health care laws and regulations, and trains internal staff on all legislation and related developments. She and her staff disseminate health compliance information, monitor federal and state laws and regulations, and prepare amendments for health plans and summary plan descriptions based on national models.

Professional Background

Prior to joining Segal, Ms. Bakich was an attorney in private practice representing multiemployer health plans and an appellate administrative law judge.

Education/Professional Designations

Ms. Bakich graduated in 1979 with a BA in Political Science, in 1982 with an MA in Public Policy, and in 1985 with a JD from the University of Missouri. She has been admitted to the Bar in the District of Columbia, United States Supreme Court, and multiple federal district and appellate courts.

Ms. Bakich is a member of the Working Committee of the National Coordinating Committee for Multiemployer Plans (NCCMP), the Health Technical Issues Taskforce of the American Benefits Council (ABC), the Employers Council on Flexible Compensation (ECFC) Flex Advisory Council, and the American Bar Association (ABA). Ms. Bakich is co-chair of the ABA Joint Committee on Employee Benefits Subcommittee on Welfare Plan Regulation. She was also appointed to the Government Liaison Committee of the International Foundation of Employee Benefit Plans (IFEBC). Ms. Bakich was named a Fellow of the American College of Employee Benefits Counsel in 2012.

Published Works and Speeches

Ms. Bakich has published multiple articles about employee health and welfare benefits, including a series of articles discussing HIPAA Administrative Simplification, EDI, and Privacy in the *Benefits Law Journal* . She is a co-author of the *Employers' Guide to HIPAA Privacy Requirements* , published by Thompson Publishing Group, and a chapter editor of *Employee Benefits Law* . Ms. Bakich speaks regularly on issues related to group health plans.





LACERA LEGISLATIVE UPDATE

January 23, 2019

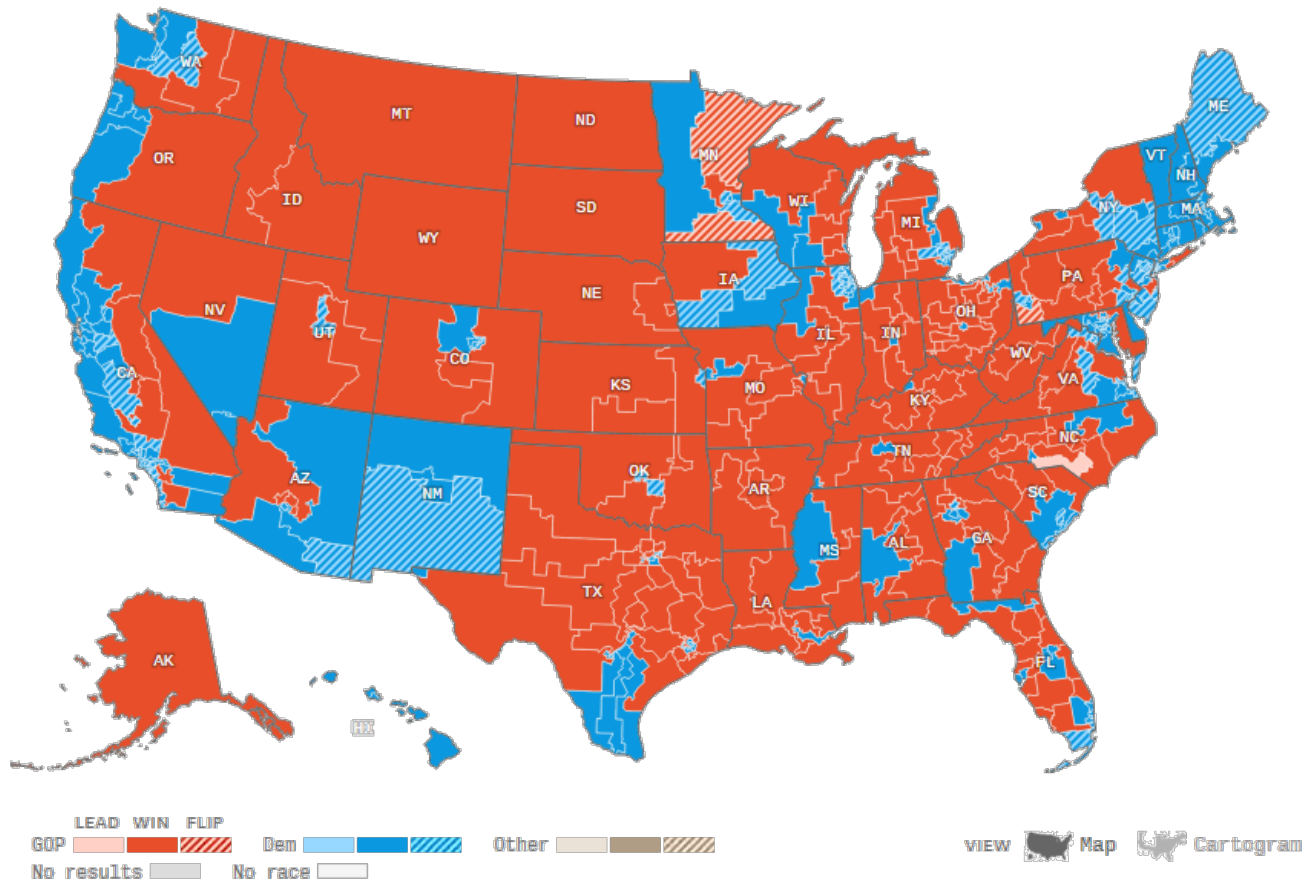
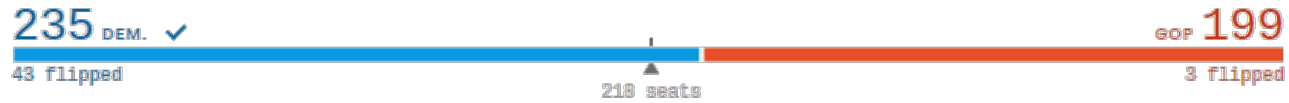
Kathryn Bakich

 Segal Consulting

Election 2018

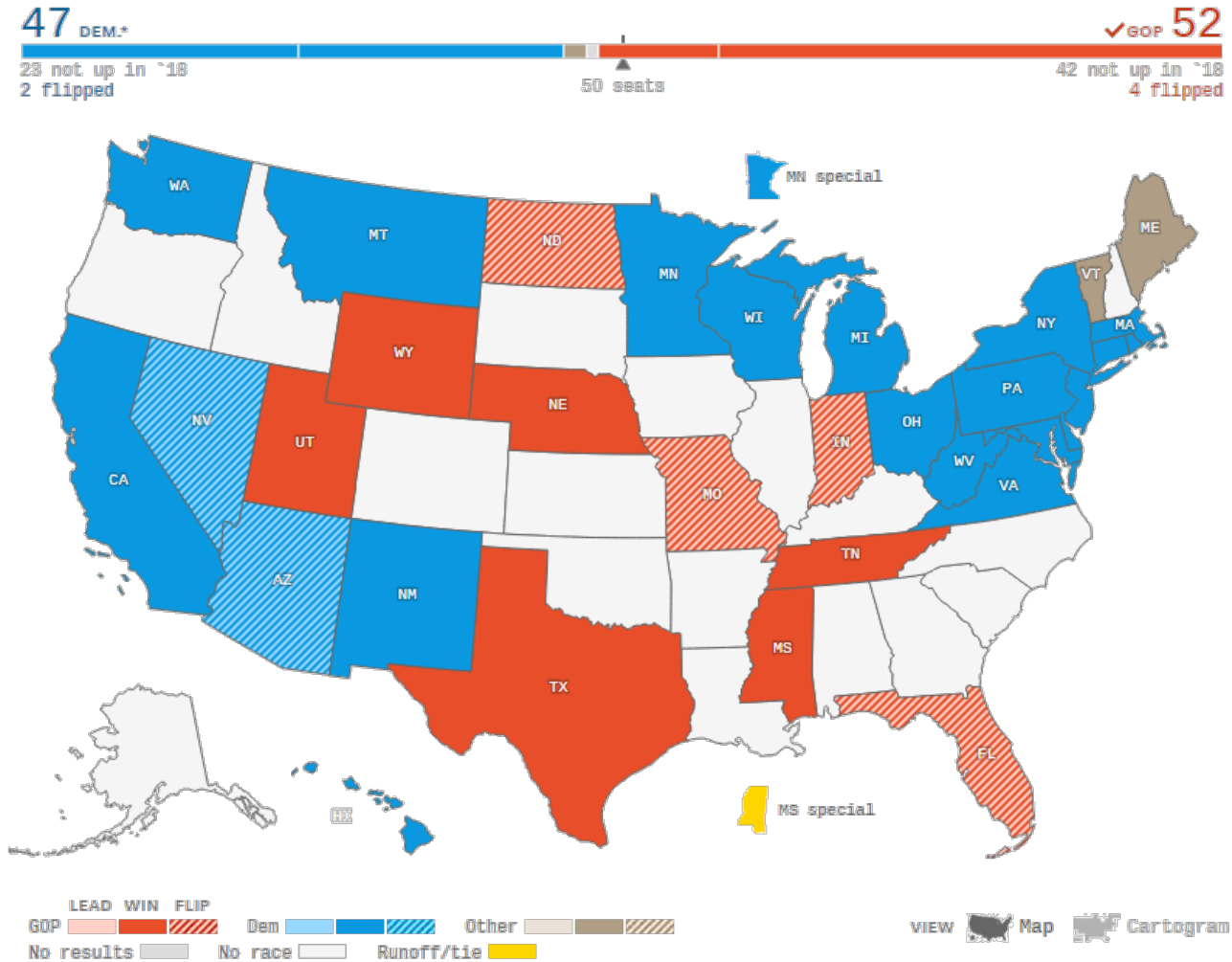
- On November 6, 2018, Democrats regained control of the U.S. House of Representatives for 2019-2020, picking up 40 seats
- Democrats also won several gubernatorial races and control of several state legislatures
- Republicans retained control of the U.S. Senate
- Health care played an important role in many races, particularly the issue of prohibitions on preexisting condition exclusions

2018 Midterm Elections Results—House



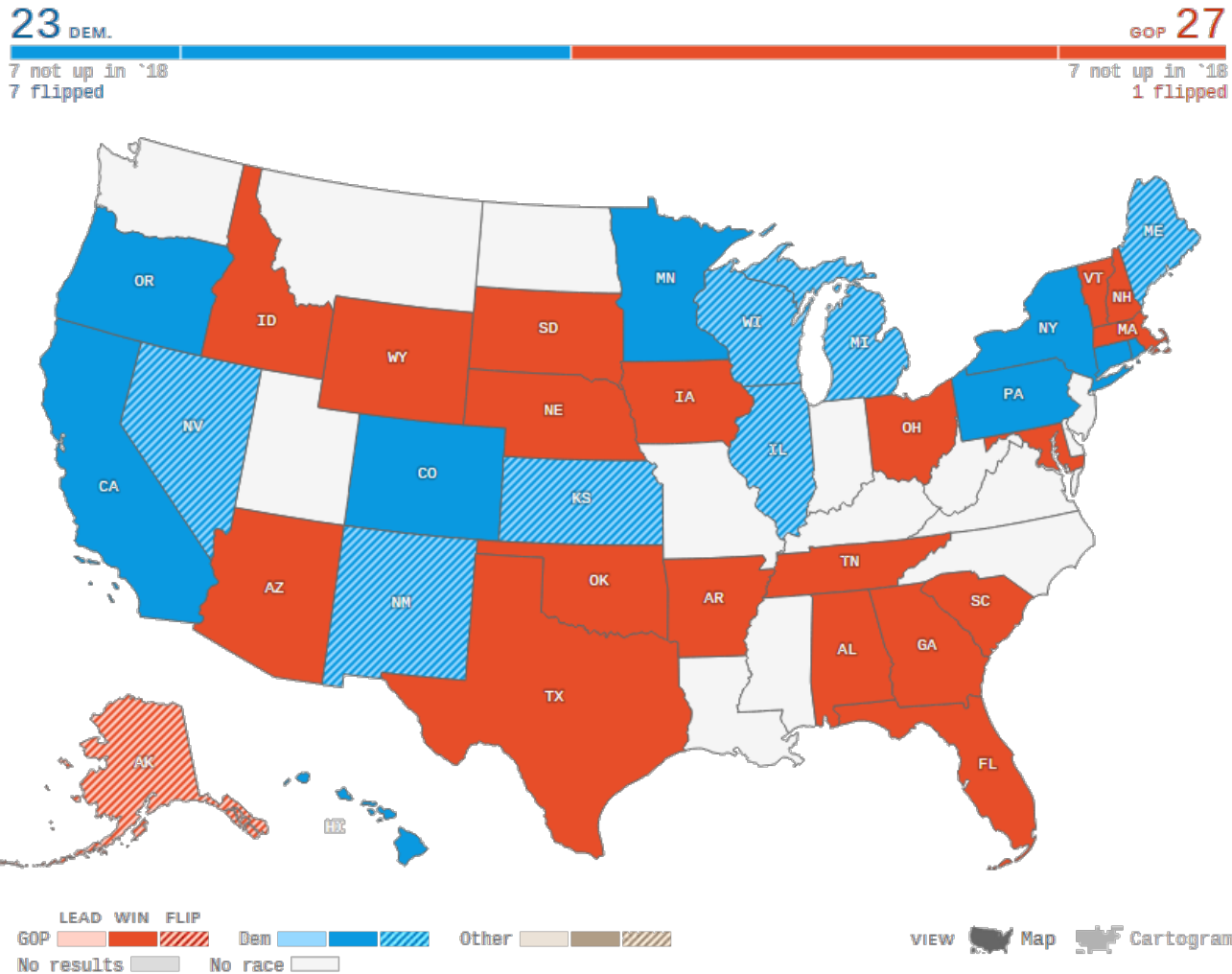
Election results via the Associated Press; Note: The "cartogram" view makes it easier to compare areas of different size but equal electoral importance; Sens. Bernie Sanders and Angus King are Independents, but caucus with the Democrats. Graphic: Chris Canipe, Gerald Rich, Alex Duner and Lazaro Gamio/Axios

2018 Midterm Elections Results—Senate



Election results via the Associated Press; Note: The "cartogram" view makes it easier to compare areas of different size but equal electoral importance; Sens. Bernie Sanders and Angus King are Independents, but caucus with the Democrats. Graphic: Chris Canipe, Gerald Rich, Alex Duner and Lazaro Gamio/Axios

2018 Midterm Elections Results—Governor



Election results via the Associated Press; Note: The "cartogram" view makes it easier to compare areas of different size but equal electoral importance; Sens. Bernie Sanders and Angus King are Independents, but caucus with the Democrats. Graphic: Chris Canipe, Gerald Rich, Alex Duner and Lazaro Gamio/Axios

Congressional To-Do List: January 2019

- ✓ **Government Funding:** Continuing Resolution through December 21, 2018. With seven bills remaining, Congress poised to agree to another CR through February 8, 2019.
- ✓ **Immigration:** DACA, border security, the wall, family separation
- ✓ **Health care:** Expansion bills, Texas lawsuit fallout
- ✓ **Disaster relief**
- ✓ **2019 Budget**
- ✓ **Infrastructure**
- ✓ **Oversight Activity**



2018 Year-End Tax Package

- January 2018 Continuing Resolution delayed taxes as follows:
 - ACA excise tax on certain high-cost health plans (the “Cadillac tax”) was delayed two years, until January 1, 2022
 - The health insurance premium tax was suspended during 2019
 - The medical device tax was suspended for two additional years (2018 and 2019)
- Congressional republicans proposed delay or repeal of several Obamacare-related taxes
 - Five-year delay of the medical device tax,
 - Two-year delay of a health insurance tax,
 - One-year delay of the Excise Tax on High-Cost Plans (“Cadillac” tax)
 - Repeal of a tanning bed tax
- No action as of December 2018



Pharmacy “Anti-Gag Clause” Law

- Group health plans, insurers, Medicare Advantage plans and Medicare Prescription Drug Plans must ensure that their PBMs do not have contracts with pharmacies that prohibit the pharmacist from telling patients of any differential between the price of a drug under their insurance coverage or the price without insurance coverage
- Effective for plan years beginning on or after 1-1-2020 for MA and PDPs. No effective date for plans/insurers, but PBMs have said they will comply
- Plan sponsors should send letter to PBMs informing them of the law and that the plan expects them to comply
- Enacted October 10, 2018; Public Laws No 115-262 and 115-263



“Surprise” Balance Billing Laws

- New Jersey law requires providers and insurers to make certain disclosures about whether services are in-network and limits billing for out-of-network care for emergency/urgent services
 - Law allows self-insured plans to opt-in
- Bipartisan group of Senators recently introduced the “Protecting Patients from Surprise Medical Bills Act”. Sens. Cassidy (R-LA) and Hassan (D-NH) taking lead and intend to introduce new bill in next Congress
- Bill would address billing for various issues including:
 - Emergency care services from an out-of-network provider provided at an out-of-network facility;
 - Non-emergency care services from an out-of-network provider at an in-network facility
- Insurers/Consumers v. Providers



Medicare Outlook

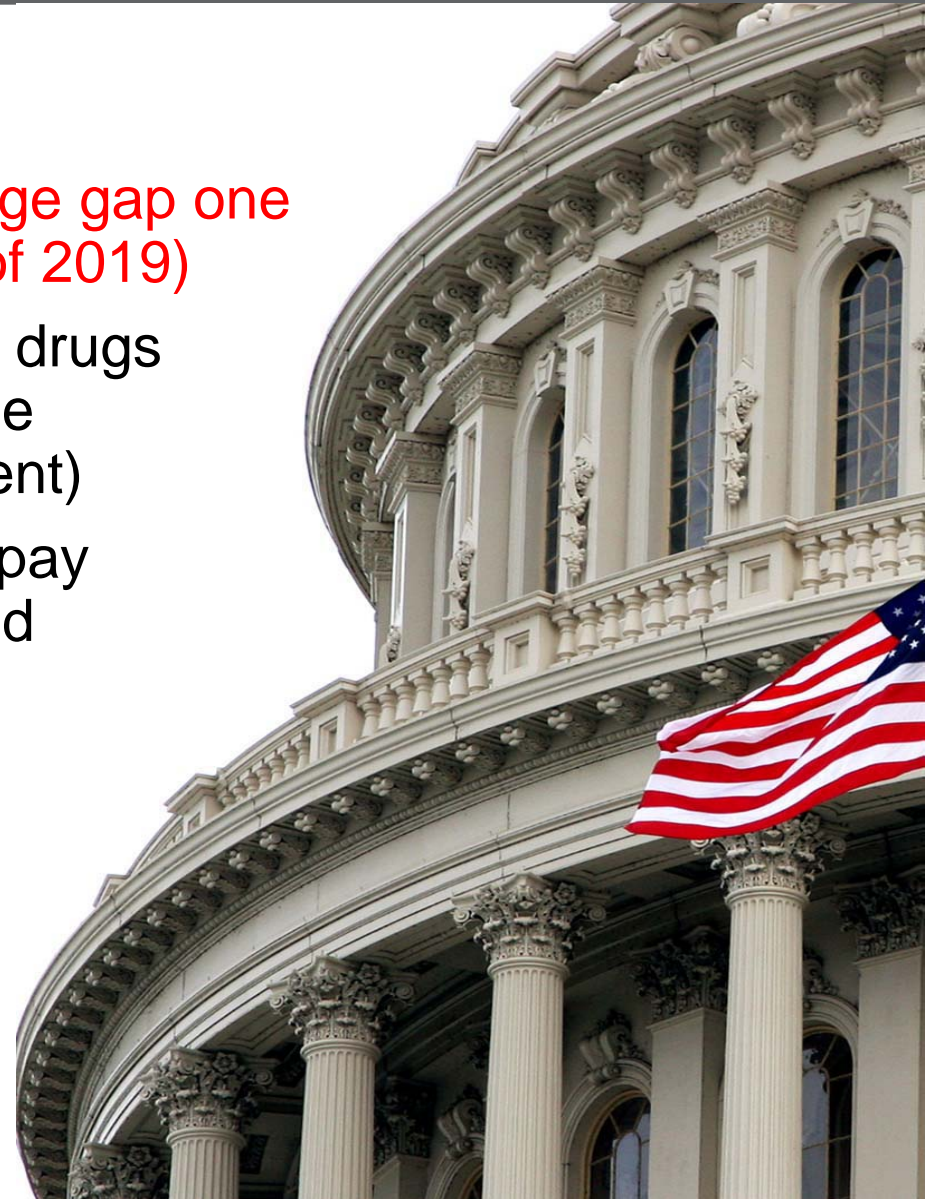
- The Medicare Hospital Insurance Trust Fund (Part A) is projected to be depleted in 2026, although the Part B and D funds are adequately funded
- Medicare Advantage plans cover about a third of the 60 million Medicare beneficiaries
- The Medicare Part D “coverage gap” for brand drugs will close in 2019, with part of the costs funded by pharmaceutical manufacturers
- The Administration has also suggested changes to the Part D program but has not issued details. These proposals could include point-of-service rebates; modifying the True Out of Pocket (TrOOP) rule to exclude the value of the manufacturer price discount on brand-name drugs; changing formulary coverage rules; and eliminating cost-sharing for generics for low-income beneficiaries

Bloomberg Law's Six Things to Watch in Medicare

- Site Neutral Payments
- Stark Law (Physician Self-Referral) Reform
- Payment and Service Delivery Models
- Aligning Medicare Payments for Drugs with Lower Prices paid in other Countries
- Lower requirements for Part D “protected class” drugs
- Extra Benefits in Medicare Managed Care

Bipartisan Budget Act of 2018 (Public Law 115-123)

- Enacted February 9, 2018
- Closes the Medicare Part D coverage gap one year early (at end of 2018 instead of 2019)
 - For 2019, manufacturers of brand drugs must pay 70 percent of costs in the coverage gap (instead of 50 percent)
 - In 2020 and beyond, patients will pay 25 percent of the cost of brand and generic drugs in the gap
- Further increases Medicare Part B and D premiums for people with adjusted gross incomes of \$500,000 or more (\$750,000 for couples)



“Medicare for More” Proposals

- Choose Medicare Act (Sen. Merkley (D-OR), Murphy (D-CT))
 - Would create a new Medicare Part E that individuals and employers could purchase
 - Would be offered on Marketplace/Exchanges as a public option
 - Would cover Medicare benefits plus extra benefits (e.g., maternity)
- Medicare X (X is for extended, extra, Exchange) (Sen Kaine (D-VA), Bennet (D-CO))
 - Would include a public option on the Marketplace/Exchanges
 - Would offer extra benefits
 - Gradual roll-out, first to individuals, then to small employers
- Medicare for All (Sen. Sanders (D-VT))
 - Path to “single payer”
 - Would replace existing employer coverage
 - Employers could offer supplemental benefits only



Medicaid

- In August 2018, 66 million Americans were covered by Medicaid. On November 6, the ACA's Medicaid policy won big, with three states (Utah, Nebraska, and Idaho) voting to approve Medicaid expansion. Only Montana rejected Medicaid expansion
- Additionally, Maine's struggle to implement Medicaid expansion should be changed with the election of a Democrat as governor, and Kansas elected a governor who supports Medicaid expansion (which had been vetoed by a previous governor). These five states will now cover about 500,000 new Medicaid recipients
- Post-election, only about a dozen states continue to reject Medicaid expansion
- As Medicaid coverage expands, it is likely to take on even greater significance with respect to health care innovations
- Some states, such as Wisconsin, continue to debate work requirements

Latest Litigation Challenging ACA: Texas v Azar

- Republican state attorneys general from 20 states and two individual plaintiffs filed lawsuit in federal court in Texas alleging that once the individual mandate penalty was zeroed out by Congress in the Tax Cuts and Jobs Act of 2017 (effective 1-1-19), the individual mandate is unconstitutional; and the entire ACA should be struck down
- In June, the Department of Justice declined to defend the constitutionality of the individual mandate or the other ACA provisions (guaranteed issue, community rating, and the ban on preexisting condition exclusions and discrimination based on health status)
- Democratic state attorneys general from 16 states and DC intervened in the case and argued that the individual mandate remains constitutional and, even if it is not, it is severable from the ACA, allowing the ban on preexisting conditions and other provisions to stand

Texas v Azar

- Order on December 14, 2018
- Declaratory Judgment that entire ACA was invalid; however, order not immediately enforceable or appealable
- Additional Order December 18 setting out briefing schedule
- Decision widely criticized



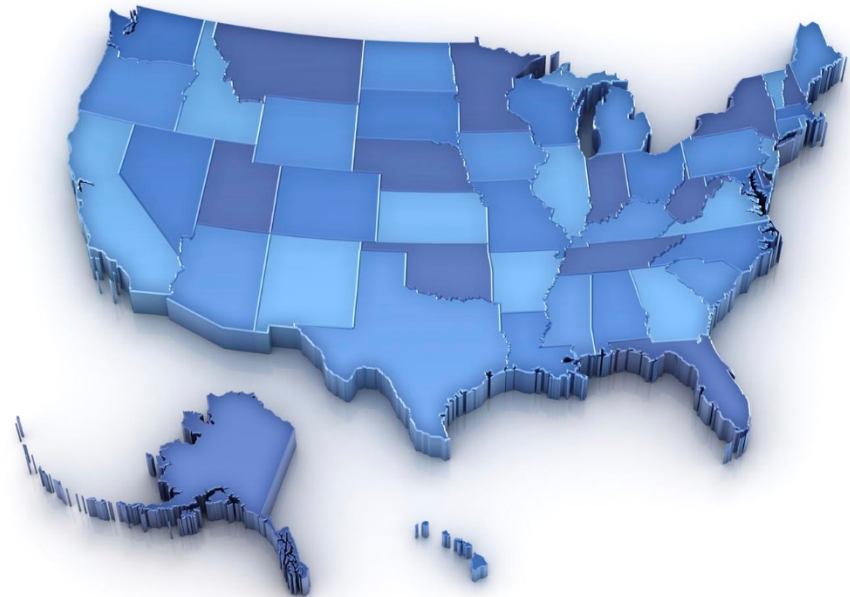
Proposals to Amend the ACA

- Would suspend the employer mandate from 2015 through 2018
- Would change the definition of “full-time employee” to refer those who work 40 hours/week or 174 hours/month (instead of 30 hours/week or 120 hours/month under current law)
- Would change reporting requirements
- Would delay the Cadillac tax by an additional year, from 2022 to 2023



States Enacting Individual Mandates

- Four states have enacted a state “individual mandate” requiring individuals to purchase health coverage:
 - Massachusetts (2006)
 - Vermont (2020)
 - District of Columbia (2019)
 - New Jersey (2019)
- Several other states are considering an individual mandate, including:
 - California, Connecticut, Hawaii, Maryland, Minnesota Rhode Island, and Washington



White House Moves that Affect Employee Benefits

➤ White House Executive Orders

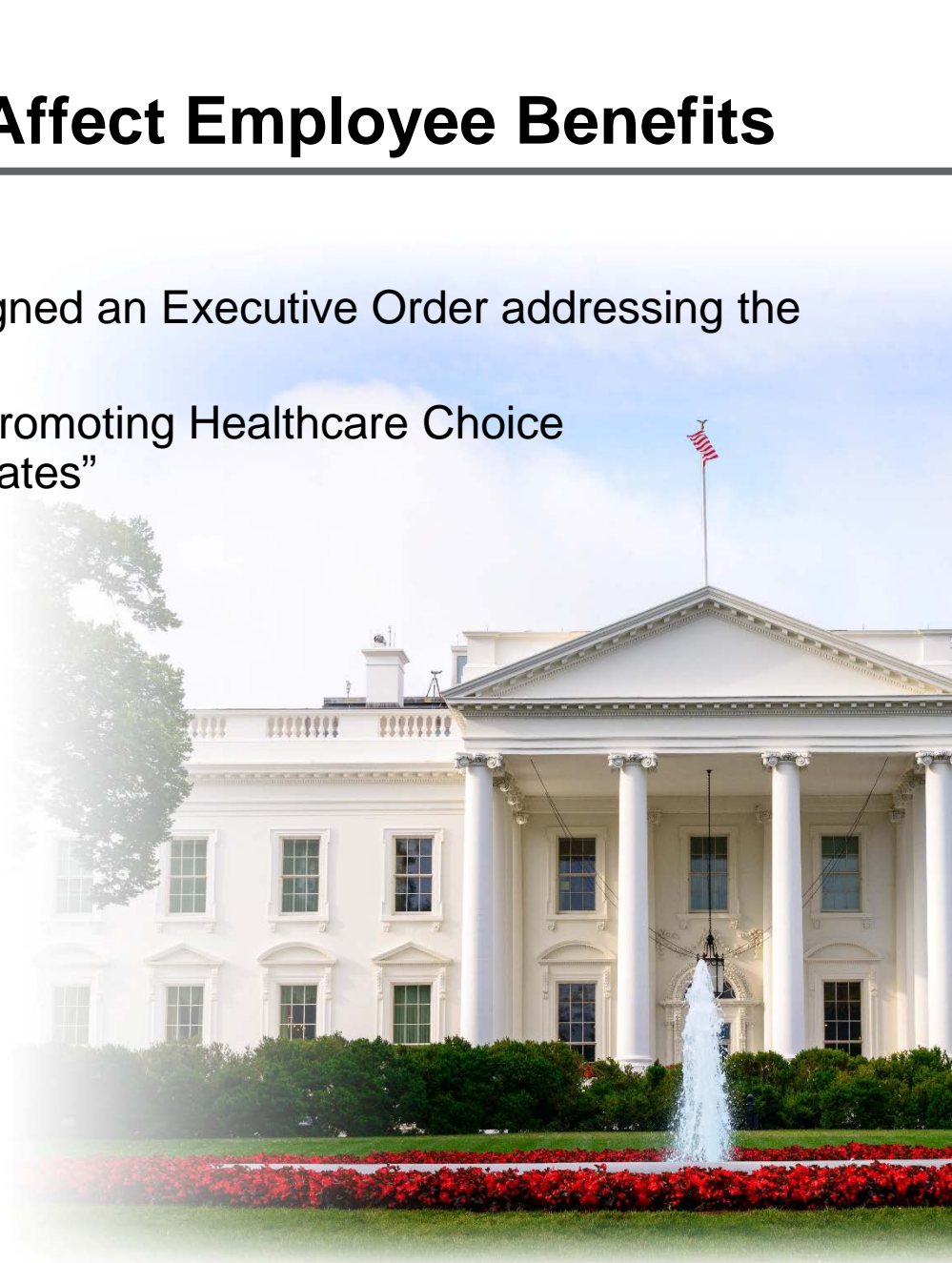
- January 20, 2017 President Trump signed an Executive Order addressing the Affordable Care Act
- October 12, 2017 Executive Order “Promoting Healthcare Choice and Competition Across the United States”

➤ Other administrative actions

- Delaying or rescinding regulations
- Modifying funding for Affordable Care Act initiatives

➤ Appointment of judges

- Two US Supreme Court Justices
- 30 circuit court judges
- 53 district court judges
- More judges appointed than any other recent president at same point in term



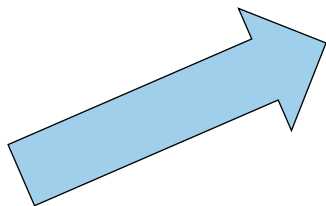
HHS Blueprint to Lower Drug Prices

- HHS sent proposed regulation relating to whether drug rebates violate federal anti-kickback laws to OMB on July 18, 2018
 - Not known what is in regulation, scope likely limited to Medicare/Medicaid
 - On July 19, Express Scripts, CVS Health, and UnitedHealth Group lost a combined \$5 billion in market cap
- HHS Secretary Alex Azar requested that FDA Commissioner Scott Gottlieb establish a working group to examine how to safely import prescription drugs from other countries under limited circumstances (single-source drugs that are off-patent or off-exclusivity)



Proposed Rule on TV Advertising

- Proposed rule issued by HHS on October 18, 2018, would require drug manufacturers to include the Wholesale Acquisition Cost (WAC or “list price”) of a drug or biological in direct-to-consumer television advertisements if drug is payable under Medicare or Medicaid
 - Comment period until December 17, 2018



Addressing the Opioid Epidemic

➤ Opioid epidemic

- White House Initiative
- The SUPPORT Act
- Key themes:
 1. Treatment and reimbursement
 2. Tools to prevent overprescribing and abuse
 3. Screening, education, and communication



SUPPORT Act Addresses Opioid Epidemic

- States may allow Medicaid to pay for treatment in inpatient behavioral hospitals (until 2023)
- Expands access to opioid treatments
- Promotes the development of alternative treatments for pain
- “Stop Act” helps prevent the entry of illicit drugs into the United States
- Authorizes FDA to require drug manufacturers to use special safety packaging for opioids, such as sealing them in plastic blister packs and restricting doses
- Expands program that authorizes first responders to administer naloxone
- Nurse practitioners and physician assistants may prescribe medication-assisted treatment (MAT)
- HHS to issue regulations allowing doctors to prescribe MAT via telemedicine
- Medicaid plans subject to 85% Medical Loss Ratio (MLR) and must refund moneys to states
- Multiple grant programs for nonprofits and other entities, including funding for opioid recovery centers
- E-prescribing for controlled substances for Medicare Part D plans
- Effective in 2020, additional reporting to Medicare by group health plans
- Financial and criminal penalties for patient “brokers” who refer patients to fraudulent or substandard treatment facilities

Enforcement Activity Continues

- Both DOL and CMS continue active programs to audit group health plans – multiemployer & large public sector plans are key targets
- Focus includes:
 - Grandfathered status
 - Mental Health Parity and Addiction Equity Act Compliance – particularly treatment limitations like preauthorization or network restrictions
 - HIPAA special enrollment
 - ACA group mandates

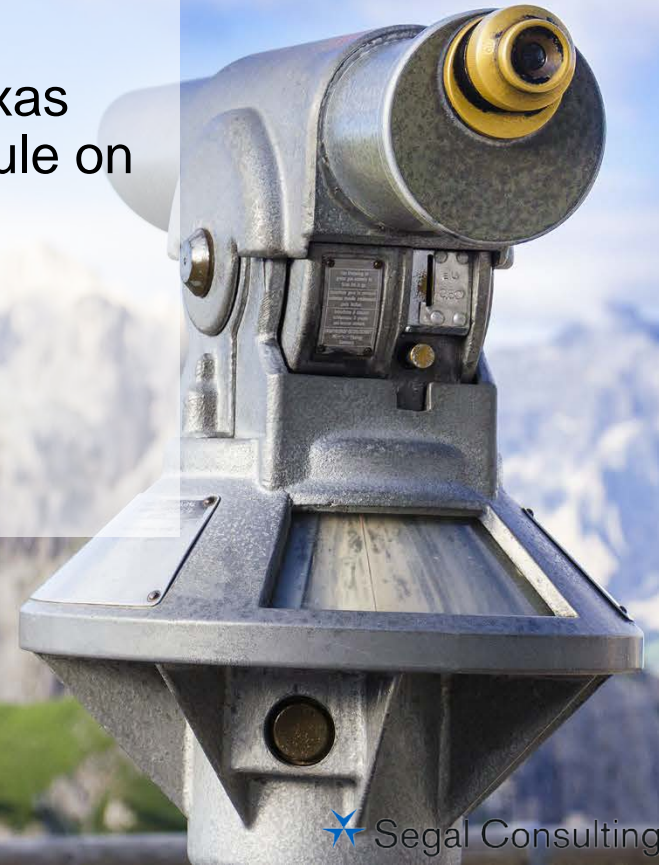


Mergers and Consolidations

- Mergers and acquisitions continue for hospitals and physicians, as well as PBMs and insurers
- The new Congress could conduct oversight hearings over some of the recent mergers and consolidations, particularly in light of the lack of access to health care in many rural areas

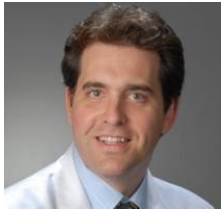
Coming Attractions

- Guidance on ACA Cadillac tax
- More MHPAEA guidance as required under 21st Century Cures Act (enacted December 2016)
- ACA Section 1557: HHS likely to propose new nondiscrimination rule
 - HHS currently enjoined by federal court in Texas from enforcing Obama Administration's final rule on transgender benefits



Questions?





Biographical Sketch: *Jonathan Doris, MD*

Dr. Jonathan Doris is the Assistant Area Medical Director and Area Physician Marketing Leader (APML) for Kaiser Permanente in Los Angeles. In this role as the local leader of the Physician Ambassador program, he partners with members of KP's Account Management team. His analysis of client-specific data, plus educational presentations, helps Kaiser Permanente Health Plan's clients and consultants to attain greater value and better health outcomes for their members.

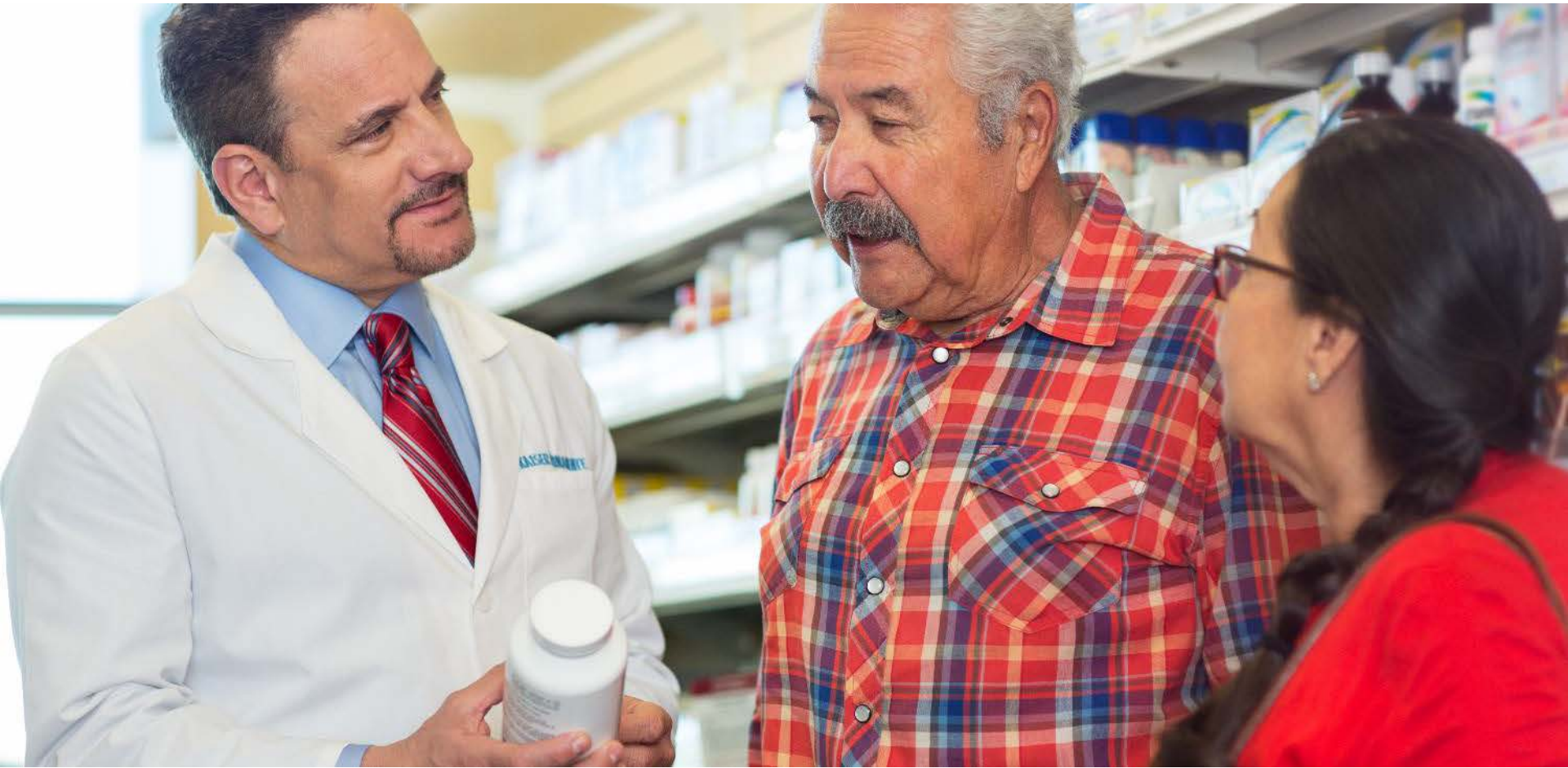
Dr. Doris received his medical degree from Albany Medical College in Albany, New York. He completed residency training in internal medicine at the Brown University Hospitals in Providence, Rhode Island. He completed his fellowship in Cardiology and Electrophysiology at the University of California, Los Angeles. He joined Kaiser Permanente's Los Angeles Medical Center (LAMC) in 2005. He specializes in cardiac electrophysiology.

Dr. Doris was the Assistant Regional Director Electrophysiology for the Southern California Permanente Group from 2006-2018. He is the current Vice President of the Medical Executive Committee, which provides oversight to all committees in the hospital to ensure the highest quality of care is provided to patients. He is also on the Clinical Strategic Goals governing board, as well as the leadership sponsor for the Flu Vaccination initiative.

Dr. Doris earned a Bachelor of Science in Mathematics from the College of William and Mary and Masters of Art in Biology from the University of Colorado, Denver. Dr. Doris is certified by the American Board of Internal Medicine and is board certified in Clinical Cardiac Electrophysiology and Cardiology. He has also researched and co-authored articles in the American Journal of Cardiology, been a speaker and panelist at American Medical Association, and been a keynote commencement speaker at Brown Medical School and Loyola Medical school.

Dr. Jonathan Doris was the inspiration for the Comedy television series, "Scrubs". Dr. Doris was the college friend of creator Bill Lawrence, who Lawrence named the character John Dorian (J.D.) after. He also served as the Medical Advisor for the complete run of Scrubs.

Dr. Doris lives in Pacific Palisades with his wife, 2 kids, and dog. They love spending time in the ocean on boogie boards or stand-up paddle boards. He and his son learned to play guitar together, although his son is the better guitar player. Dr. Doris enjoys spinning and swimming for exercise.



A proactive approach to opioid management

Dr. Jonathan Doris - Cardiac Electrophysiology - Assistant Area Medical Director, Los Angeles Medical Center

Agenda

- ✓ Understanding the opioid epidemic
- ✓ LACERA
- ✓ A proven approach to opioid management
- ✓ Effective addiction treatment
- ✓ Hope for the future

Understanding the opioid epidemic

The making of an epidemic: 1980–2000

1980–1986

Influential pain specialists promote long-term opioid use and downplay addiction potential¹

1996

Purdue Pharma launches the opioid OxyContin, aggressively promotes it for chronic pain and minimizes risk for addiction²

2000

The Joint Commission incentivizes pain treatment³

1995

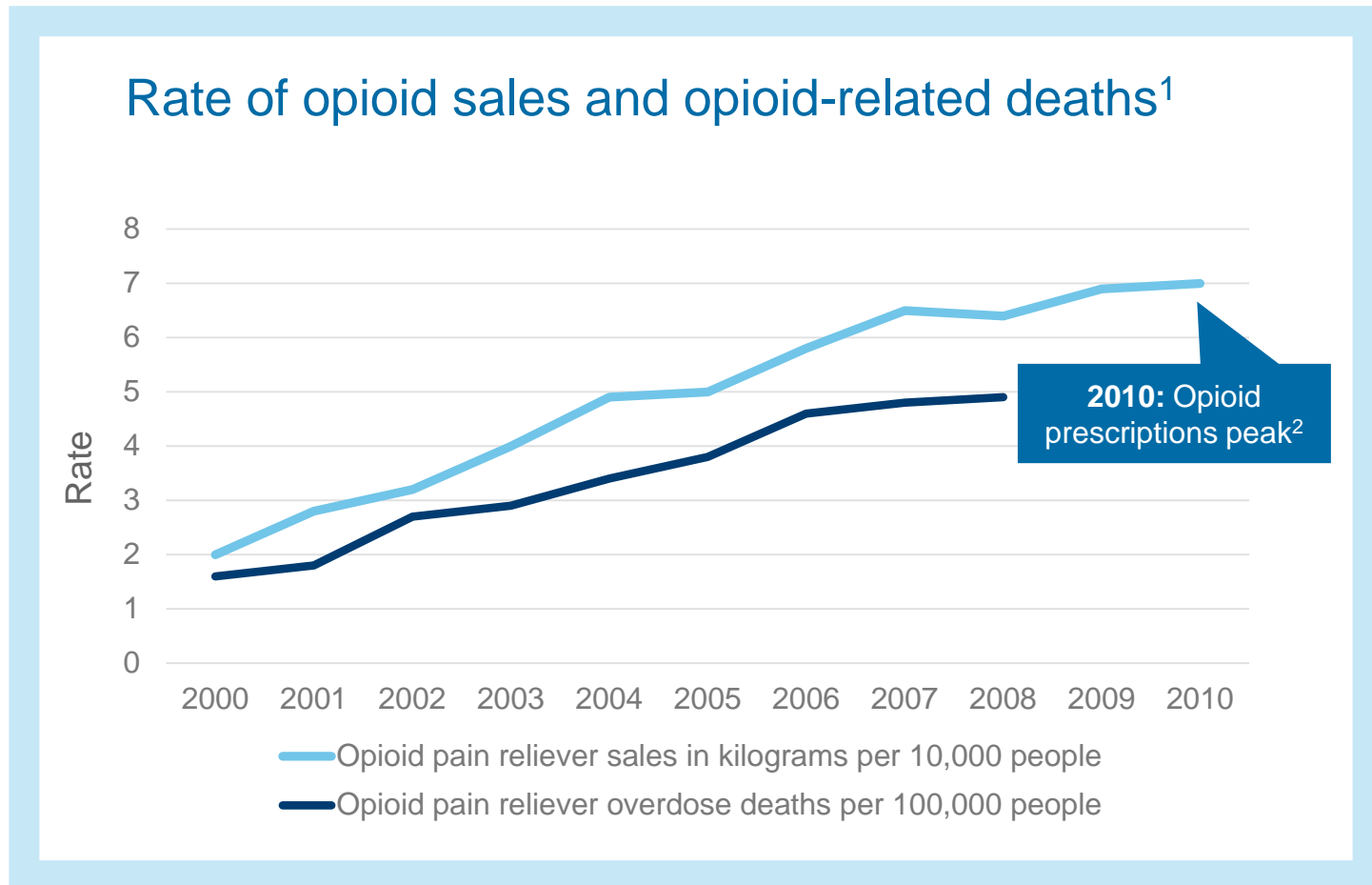
The American Pain Society launches “pain as fifth vital sign” campaign⁴

1998

The Drug Enforcement Administration eases scrutiny on opioid prescribers⁵

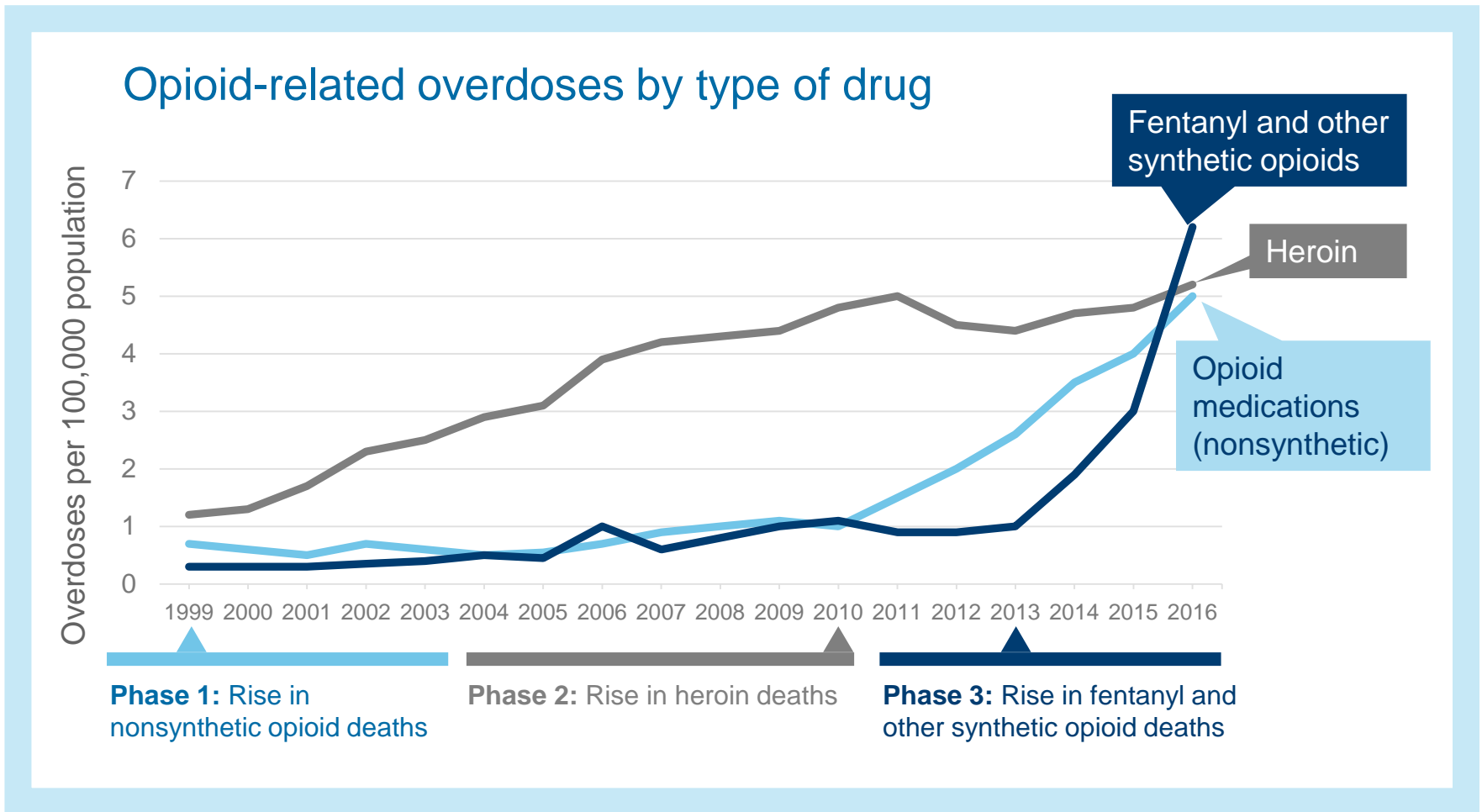
¹Marcia L. Meldrum, PhD, *American Journal of Public Health*, August 2016. ²Art Van Zee, MD, *American Journal of Public Health*, February 2009. ³Mark R. Jones et al., *Pain Therapy*, June 2018. ⁴See note 3. ⁵David E. Joranson et al., *Journal of Pain and Symptom Management*, February 2002.

The making of an epidemic: 2000–2010



¹Age-adjusted rates per 100,000 population for opioid pain reliever deaths, crude rates per 10,000 population for kilograms of opioid pain relievers sold. Leonard J. Paulozzi, MD, et al., *Morbidity and Mortality Weekly Report*, November 4, 2011. ²Gery P. Guy Jr., PhD, et al., *Morbidity and Mortality Weekly Report*, July 7, 2017.

The next phase of the opioid epidemic



Source: National Institute on Drug Abuse, August 2018.

The truth about opioids and chronic pain

High risk¹

- Opioids can be highly addictive, according to the National Institute on Drug Abuse.
- About 4 out of 5 people who use heroin first misused prescription opioids.
- Opioid overdoses can be deadly.

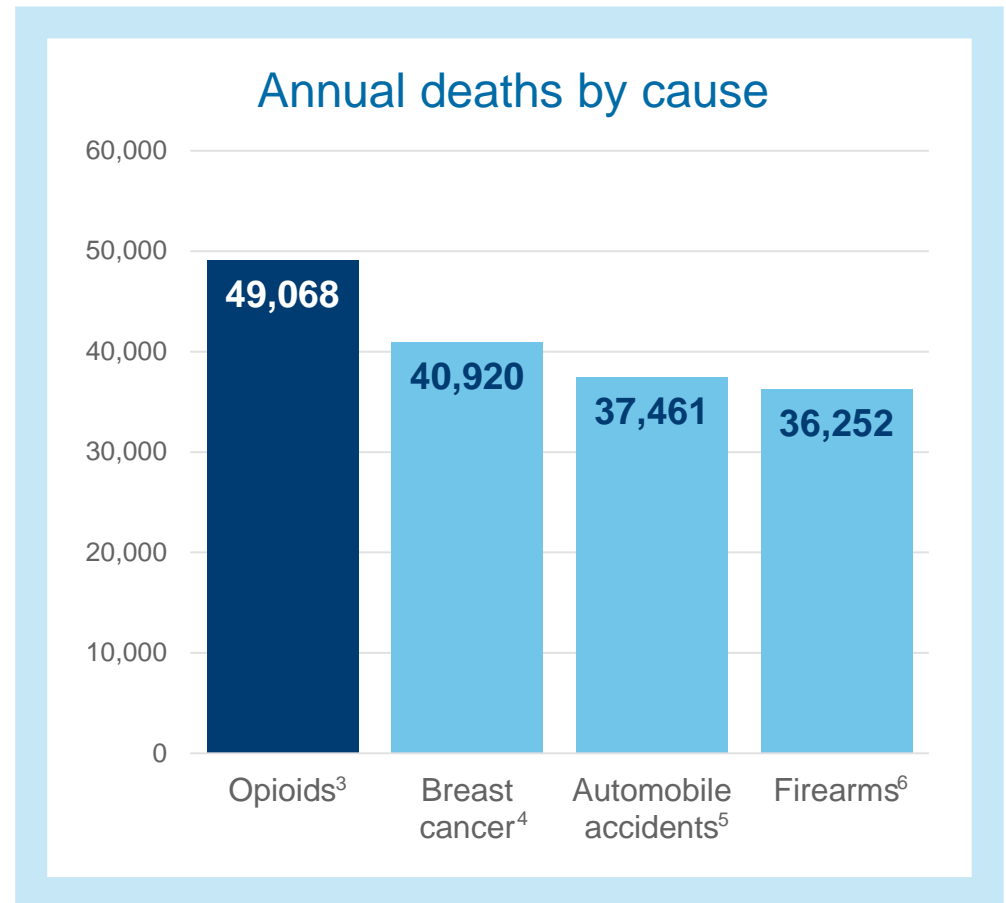
Low reward

- Opioids are not very effective for long-term pain management.²
- Nondrug treatments such as physical and behavioral therapy can effectively manage some types of pain without harmful side effects.³
- Safer non-opioid pain medications such as ibuprofen can be just as effective for certain types of pain.⁴

¹National Institute on Drug Abuse, March 2018. ²Erin E. Krebs et al., *JAMA*, March 6, 2018. ³Department of Veteran's Affairs and Department of Defense, February 2017. ⁴See notes 2 and 3.

The devastating impact of the opioid crisis today

- Opioid overdoses killed more than 49,000 people in 2017.¹
- 13% of people say they have had a relative or close friend die from an opioid overdose.²



¹National Institute on Drug Abuse, August 2018. ²Associated Press-NORC Center for Public Affairs Research, April 5, 2018. ³See note 1.

⁴National Cancer Institute, accessed July 18, 2018. ⁵U.S. Department of Transportation, October 6, 2017. ⁶Centers for Disease Control and Prevention, May 3, 2017.

LACERA

Opioid Management

LACERA - Non-Medicare Members						
	Renewal	2015	2016	2017	2018	2019
Avg Membership		8,556	8,667	8,792	8,809	8,773
Opioid Prescribed Member		2195	3010	2661	2372	2145

**Number of LACERA members that were prescribed opioids by each unique NDC annually for the last five years.

**Commercial Plan only no Medicare population is included

Musculoskeletal and Pain Management

LACERA MDC Musculoskeletal Related Admits:

Renewal	2015	2016	2017	2018	2019
Admits	92	96	65	62	46
Admits/1000	10.5	11.3	7.5	7.1	5.3

*Based on MDC 8 code with all DRGs under the "Diseases & Disorders of the Musculoskeletal System & Conn Tissue" label on admits and admits/1000

Number of LACERA admission and admission per thousand diagnosed under MDC8 with musculoskeletal condition annually for the last five years; actual member count is not available.

Pharmacy Trends

LACERA					
Renewal	2015	2016	2017	2018	2019
Commercial Mem	8,556	8,667	8,792	8,809	8,773
Medicare Mem	19,509	20,209	21,125	22,018	22,851

Illustrated number of covered LACERA participants annually over the last five years as compared to the Commercial Health Plan bench mark.

A proven approach to opioid management

Opioid management policies protect members



- Limit opioid prescriptions overall
- Provide pain management alternatives
- Prescribe lower doses and shorter courses of opioids
- Help patients on opioid medications taper their use

Coordinated actions reduce risk

- ✓ Provider education
- ✓ Tapering programs
- ✓ Patient therapy plans
- ✓ Digital safety nets



Improving recovery after surgery

People prescribed opioids after surgery have an elevated risk for addiction.*

Kaiser Permanente surgeons have identified ways to minimize opioids after surgery while effectively managing pain.

The comprehensive strategy includes:

- ✓ Anesthesia protocols
- ✓ Pain medication selection
- ✓ Surgical techniques
- ✓ Member education
- ✓ Activity and diet selection
- ✓ At-home therapy



*Patrick R. Varley, MD, and Brian S. Zuckerbraun, MD, *JAMA Surgery*, February 21, 2018.

Effective pain management alternatives



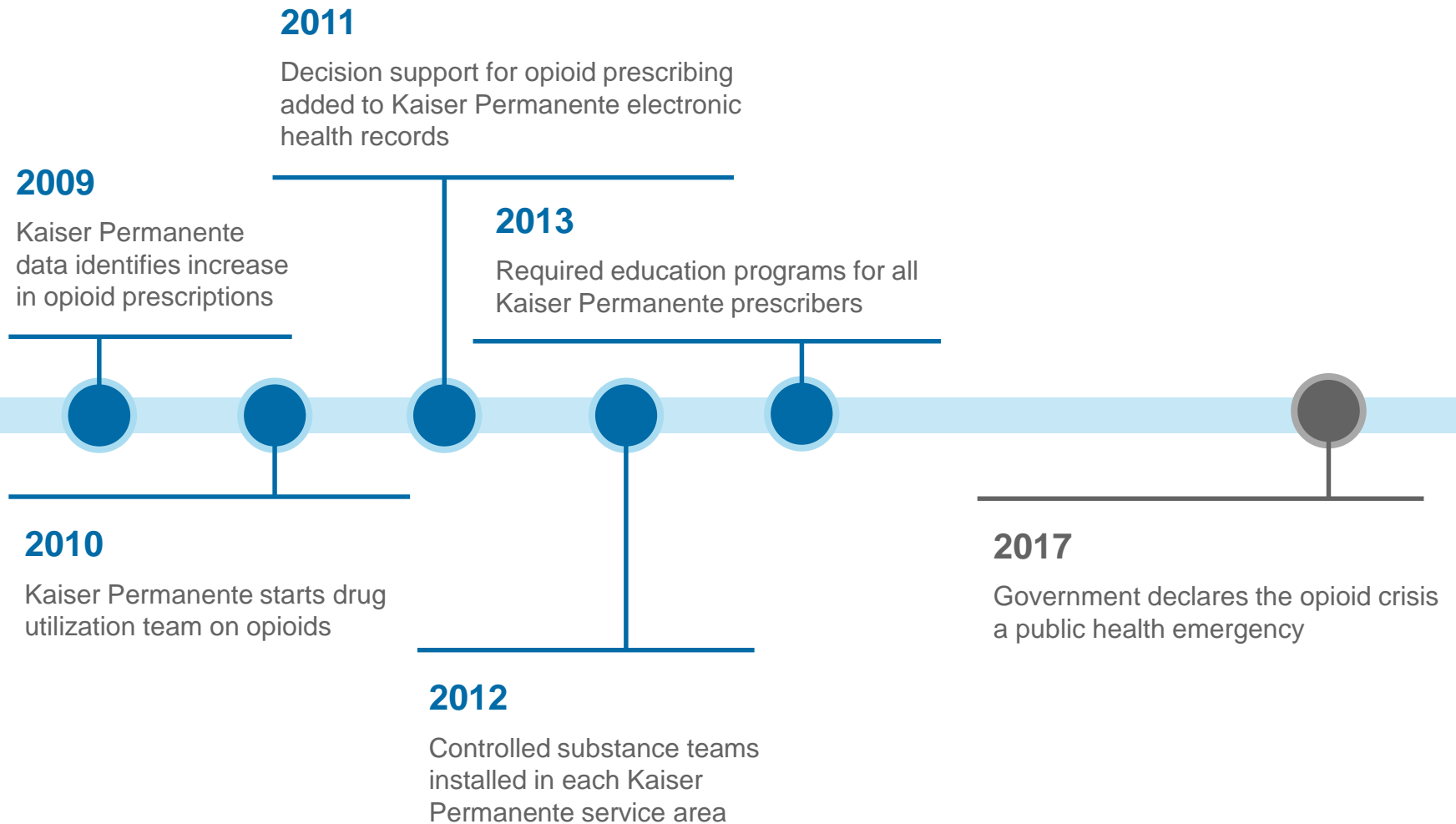
- > Acupuncture
- > Cognitive behavioral therapy
- > Lifestyle changes, such as diet and exercise
- > Mindfulness, meditation, and deep breathing
- > Non-opioid pain medications
- > Physical therapy

Proactive opioid management powered by integration

Care teams work together to provide effective pain relief without putting our members at risk for opioid-related complications.

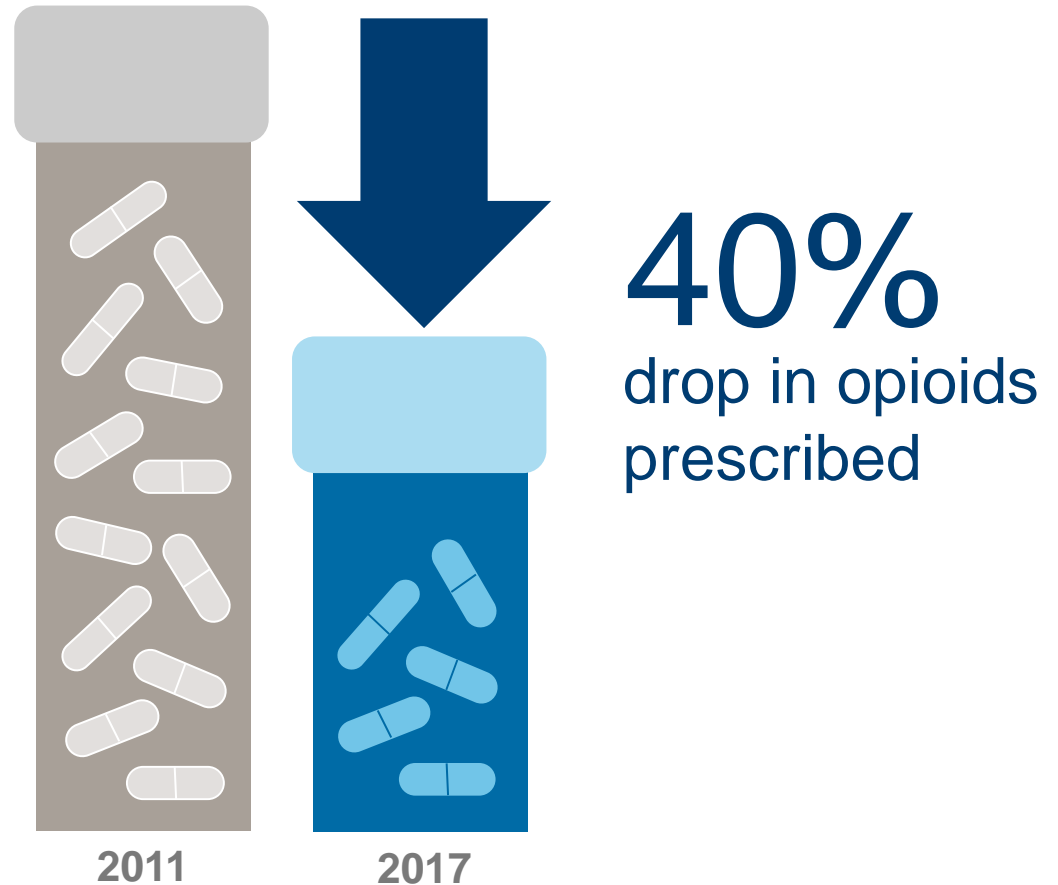


Early detection, fast implementation



We've made dramatic progress

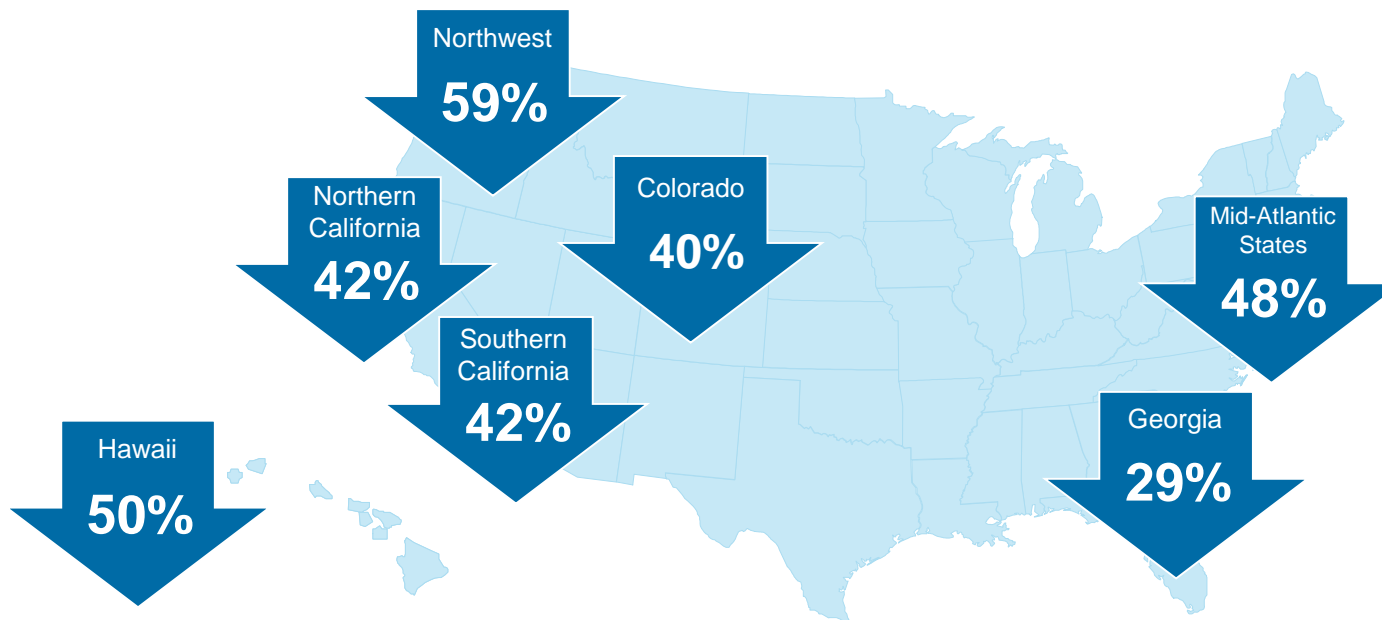
The overall volume of opioids prescribed at Kaiser Permanente fell by 40% between 2011 and 2017 across our program.*



*Kaiser Permanente internal data. Reduction in overall morphine milligram equivalents prescribed between 2011 and 2017, adjusted for membership population growth.

Preventing addiction and overdose

We reduced the number of high-dose opioid prescriptions in every region we served between 2014 and 2017*



*Kaiser Permanente internal data. Reduction in prescriptions for 90 morphine milligram equivalents or more per day between 2014 and 2017.

Effective addiction treatment

Addiction treatment is key to addressing the opioid epidemic



To battle the opioid crisis, reducing opioid prescriptions is only one part of the equation — those who are already addicted must get treatment.*

*American Medical Association, end-opioid-epidemic.org, accessed July 18, 2018.

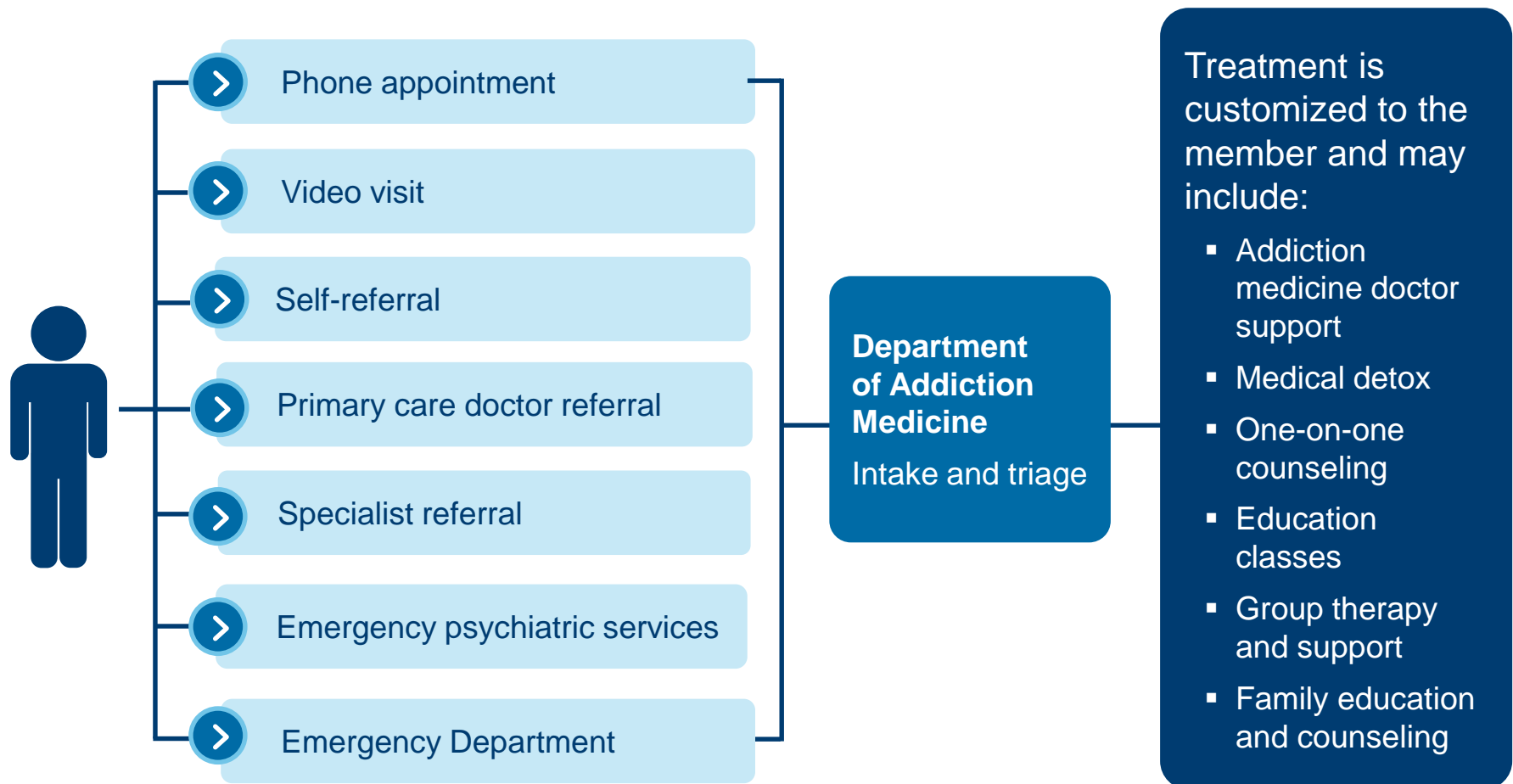
Addiction care at Kaiser Permanente

Integration allows us to identify and treat addiction more effectively.

- Doctors are trained to spot signs of substance abuse.
- Addiction medicine treatment is tailored to the member's needs.
- Electronic health records help ensure members with addictions don't get certain medications.
- People at high risk for opioid overdose have access to naloxone, which reverses an overdose.



Multiple paths to treatment



Members get the addiction treatment they need



NCQA health insurance plan rating factors confirm Kaiser Permanente's success in getting members treatment.

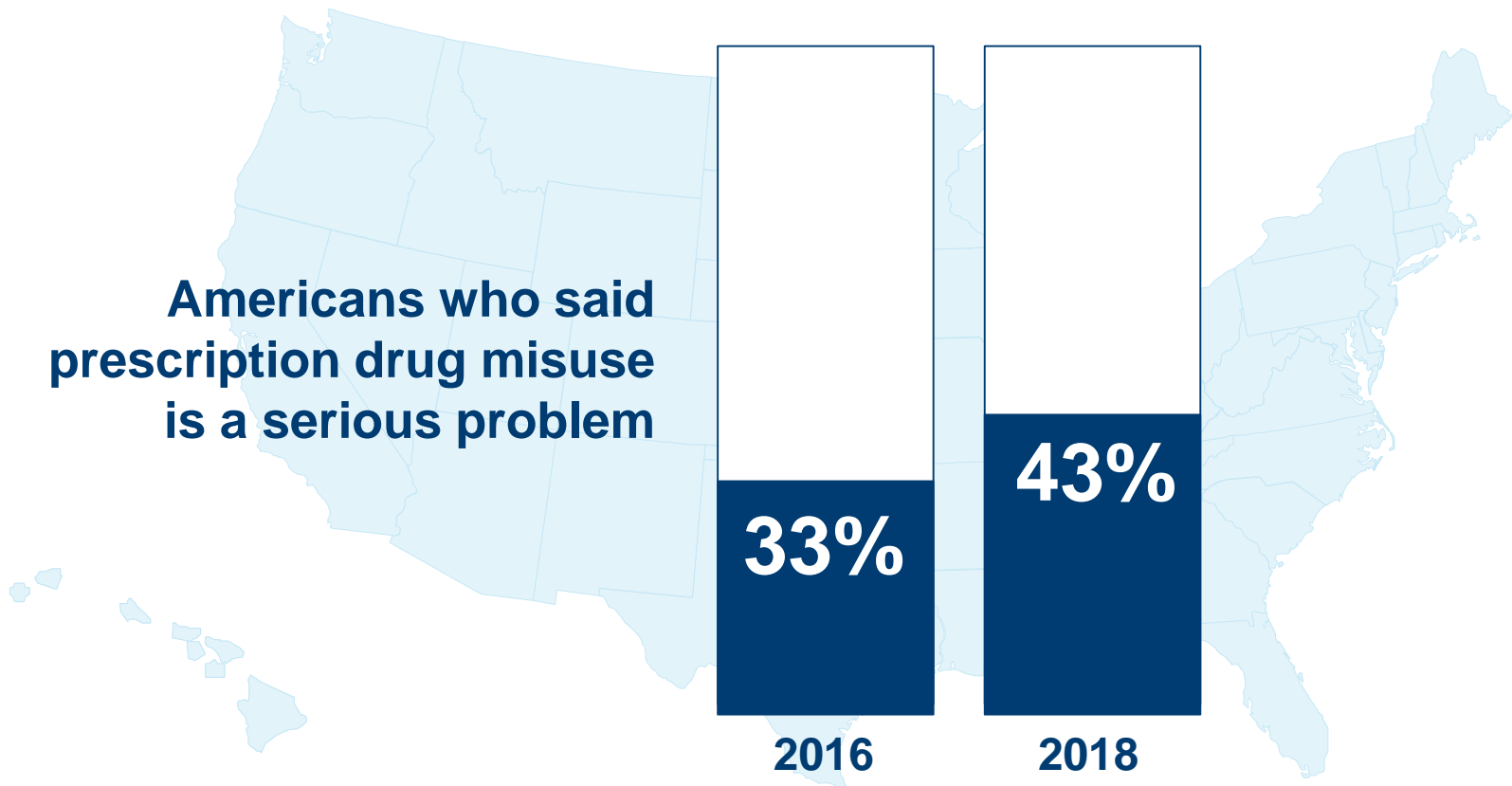
On the addiction factor, our ratings were:*

- ✔ Northern California: **5 out of 5**
- ✔ Southern California: **4 out of 5**
- ✔ Mid-Atlantic States: **5 out of 5**
- ✔ Northwest: **4 out of 5**
- ✔ Hawaii: **5 out of 5**

*Alcohol or drug dependence treatment initiated: Did alcohol- or drug-dependent members 13 and older receive inpatient or outpatient care? NCQA Health Insurance Plan Ratings 2017–2018.

Hope for the future

Awareness is growing



Source: Associated Press-NORC Center for Public Affairs Research, April 5, 2018.

What's being done



- CDC released “Guidelines for Safe Opioid Prescribing” in 2016.¹
- The U.S. government declared the opioid crisis a national emergency in 2017.²
- Access to naloxone, a drug that reverses an opioid overdose, has expanded.³
- States considered more than 130 bills regulating opioid prescriptions in 2016 and 2017.⁴

¹Deborah Dowell, MD, et al., *Recommendations and Reports*, March 18, 2016. ²U.S. Department of Health and Human Services, October 26, 2017. ³National Institute on Drug Abuse, June 2018. ⁴National Conference of State Legislatures, April 5, 2018.

Questions

Thank You



David P. Pryor, M.D., M.P.H.

Dr. Pryor is Regional Vice President and Medical Director for Anthem California Commercial Business. In this role, he works closely with the Large Group Account Management team to develop innovative medical management programs and clinical strategies that positively impact health care quality, outcomes, and cost of care for California Commercial customers.

Immediately prior to joining Anthem, Dr. Pryor served as the Corporate Medical Director for Comcast NBC Universal and focused on developing strategic clinical programs to promote the delivery of quality, effective healthcare services and wellness programs for over 130,000 employees. He also provided medical expertise to the NBC Universal team on television and film productions and advised Human Resources on sensitive employee accommodation and fit for work issues.

Dr. Pryor has also been a front line Medical Director for Aetna and WellPoint/Anthem, working on all aspects of Commercial and Medicare utilization, case management, Centers of Excellence, medical policy, and wellness programs.

He is a Board Certified Internal Medicine physician who has a special expertise in wellness and health promotion. He is the author of the book *LifestyleDNA: Live Happier, Healthier, and More Energized*. Additionally, he is the founder of BlackWomensHealth.com, a leading health website focusing on the health needs of African American women.

A native of California, Dr. Pryor received a Bachelor of Science degree in Biology from Stanford University and completed his medical degree at the University of California, San Diego. He also has a Masters in Public Health degree from the University of California, Berkeley.

LACERA and Musculoskeletal Health

Dr. David Pryor
Anthem Blue Cross

Meeting members
where they are.

Helping them get
where they want to go.

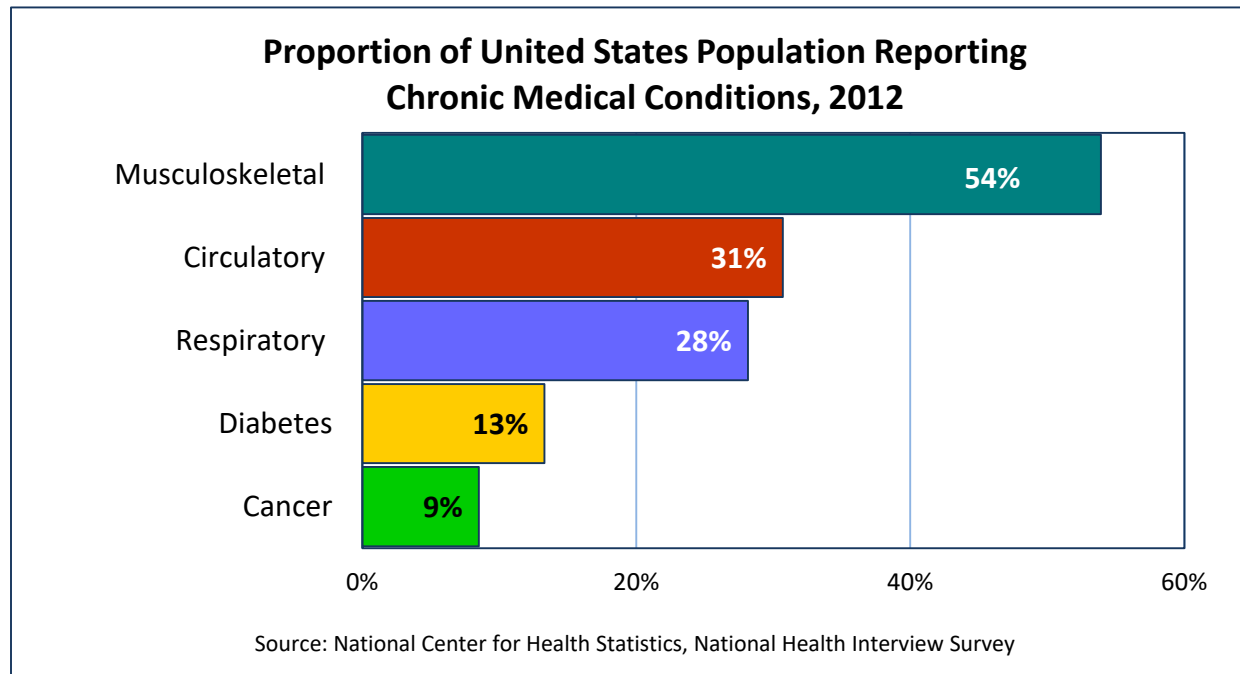


The National Picture:

Impact of Musculoskeletal Disease on Individuals and Health Care Cost

- **1 in 2** (126.6 million) adults nationally are affected by Musculoskeletal Diseases, twice the rate of chronic heart and lung conditions

LACERA's Anthem membership mirrors this statistic for Musculoskeletal conditions, however Circulatory and Respiratory conditions is higher than the national norm (due to the age of LACERA's population).

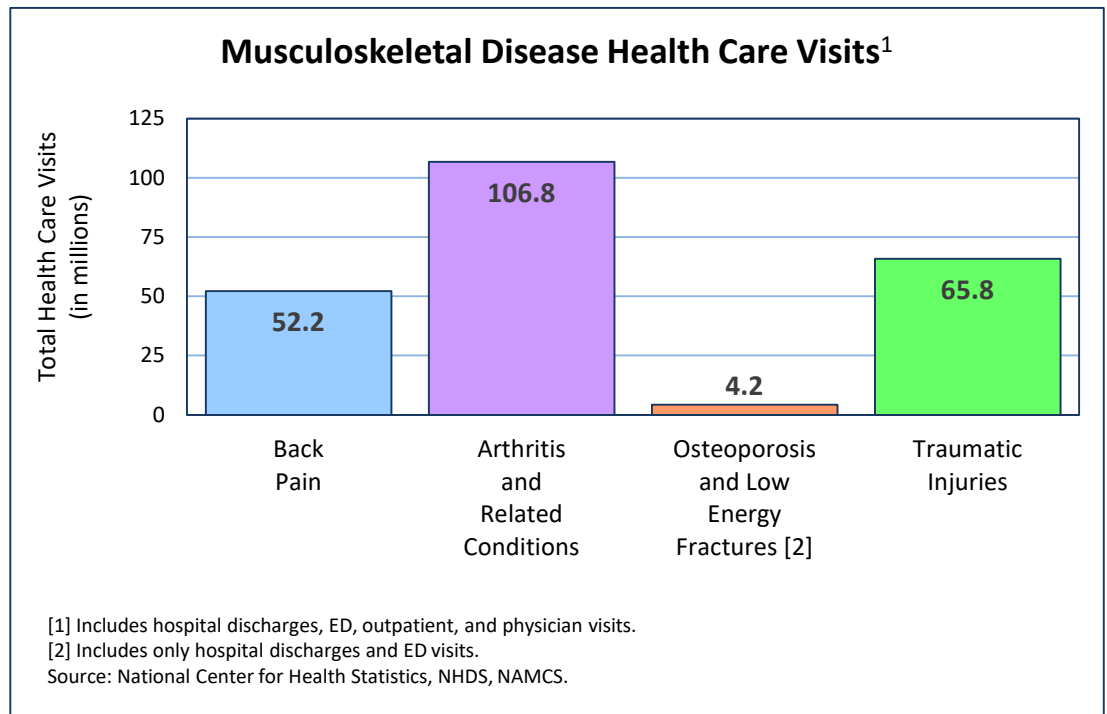


Burden of Musculoskeletal Diseases

Nationally:

- **51.8 million** adults report they have arthritis
- **75.7 million** adults suffer from neck or low back pain
- **1 in 2 women and 1 in 4 men** over age 50 will have an osteoporosis-related fracture, with **20%** mortality rate within 12 months of a hip fracture
- Disproportionately affect older persons, accounting for >50% of all chronic conditions in people older than 50 years
- Age 65 and older population to nearly double in next 25 years

Millions more suffer from spinal deformities, congenital conditions, cancers of bone and connective tissue, and rare musculoskeletal diseases



Burden of Musculoskeletal Diseases

- **Widespread prevalence**
- **Three of the most costly healthcare conditions**
 - Trauma
 - Back pain
 - Arthritis
- Low mortality from musculoskeletal diseases, **but high morbidity**
 - Restrict activities of daily living
 - Cause lost productive days
 - Source of lifelong pain

Health Care Visits:

- **18%** of all health care visits have a musculoskeletal condition diagnosis listed
- **29%** of hospital discharges
- **16%** of physician visits
- **14%** of outpatient visits
- **29%** of emergency department visits

Limitations due to Musculoskeletal Disease

- **6%** of population reports limitations carrying out common activities of daily living (eating, dressing, bathing) due to musculoskeletal diseases
- **14%** ages 65-75 report limitations due to musculoskeletal condition
- **23%** age 75 and older

Musculoskeletal System Health Conditions within LACERA



July 2017 – June 2018 Plan Year

\$17.7M in plan expense	14.5% of medical spend; (CA Retiree BM 12.1% of spend)	15,416 unique claimants	\$50.90 PMPM	↑5.5% PMPM trend from prior period	\$44.99 PMPM (CA Retiree Benchmark)
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July 2016 – June 2017 Plan Year

\$16.5M in plan expense	13.3% of medical spend; (CA Retiree BM 12.1% of spend)	15,205 unique claimants	\$48.24 PMPM	↓5.9% PMPM trend from prior period	\$43.92 PMPM (CA Retiree Benchmark)
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July 2015 – June 2016 Plan Year

\$17.3M in plan expense	14.1% of medical spend; (CA Retiree BM 12.1% of spend)	14,955 unique claimants	\$51.24 PMPM	↑14.6% PMPM trend from prior period	\$41.48 PMPM (CA Retiree Benchmark)
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July 2014 – June 2015 Plan Year

\$14.8M in plan expense	12.3% of medical spend; (CA Retiree BM 12.1% of spend)	14,967 unique claimants	\$44.73 PMPM	↓15.4% PMPM trend from prior period	
-----------------------------------	--	-----------------------------------	------------------------	---	--

* Benchmark: Anthem California Retiree Groups

Musculoskeletal System Health Conditions within LACERA

Top 3 Musculoskeletal Diagnoses Detail

July 2017 – June 2018 Plan Year

DORSALGIA (Back Pain)

13.8%
of health condition spend

4,976
unique claimants

OTHER JOINT DISORDERS

9.1%
of health condition spend

5,698
unique claimants

OSTEOARTHRITIS OF KNEE

8.8%
of health condition spend

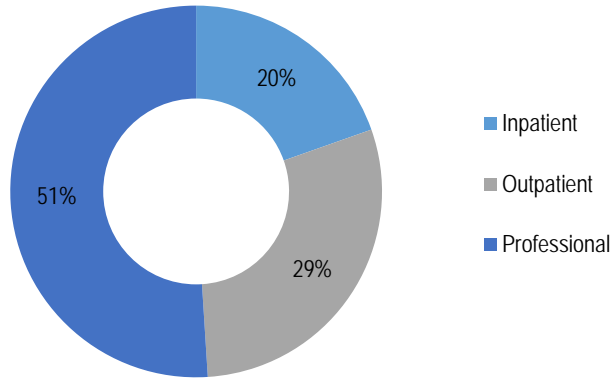
2,128
unique claimants

All other Musculoskeletal Diagnoses

68.3%
of health condition spend

2,614
unique claimants

Cost By Setting



Inpatient: \$3.4 Million
 Outpatient: \$5.2 Million
 Professional: \$9.1 Million

Professional Services	Visits	Unique Claimants
Orthopedic Surgery	16,920	5,086
Physical Therapist	42,415	3,326

Best Practices:

Wellness & Prevention

Step Therapy

Variable Interventions: Imaging, Medication,
Physical Therapy, Surgery

Anthem Nurse Case Management:

Promoting effective care

Providers: Differentiating provider quality;
network/channeling; centers of excellence

Patient aids: Decision support tools, health coaching, second
opinion programs, resource referrals

- Who's eligible to participate?
- LACERA participation rates

Anthem Pilot Programs:

AIMS Musculoskeletal Solution Program

- Guides providers to select evidence-based care
- Guides providers to high-performing, high-value sites of care
- Provides members with digital education materials to facilitate decision-making

SpineZone

- Coaching and in-clinic programs for high risk patients
- Personalized treatment based on condition, patient goals
- Ongoing maintenance support



Anthem Blue Cross is the trade name of Blue Cross of California. Anthem Blue Cross and Anthem Blue Cross Life and Health Insurance Company are independent licensees of the Blue Cross Association. Anthem is a registered trademark of Anthem Insurance Companies, Inc.



Lara Clower, R.Ph.

Senior Clinical Advisor



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LOCATION

Scottsdale, Arizona



Professional Biography

Lara Clower has more than 23 years in the health care profession. Ms. Clower joined CVS Health in 1997.

In her current role as Senior Clinical Advisor, Lara Clower has primary responsibility for drug formulary management, clinical review and implementation of CVS Caremark's drug utilization management programs and reports, and provision of expert drug information support and clinical consultation. She also performs clinical data analyses to help monitor the performance of CVS Caremark programs and identifies specific opportunities to improve the clinical quality and cost-efficiency of the client's pharmacy benefit. Ms. Clower also has experience in managing all types of clients that includes mid-size to large employer, union, retirees, government and coalition accounts.

As a Senior Clinical Pharmacist in the area of prior authorization, Ms. Clower reviewed prior authorization criteria and helped formulate many policies and procedures pertaining to their application. She also served as a staff pharmacist verifying prescriptions for a CVS Caremark mail facility.

Prior to joining CVS Caremark, Ms. Clower worked as a retail pharmacist and pharmacy manager for Walgreens for over two years.

Ms. Clower earned her Bachelor of Pharmacy degree from Washington State University in 1995.



Dan Foster

Strategic Account Executive,
Government Accounts



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PHONE NUMBER

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Fax: (847) 559-5292



LOCATION

Chicago, Illinois



Professional Biography

As a Strategic Account Executive, Dan Foster is responsible for managing a select group of Government Accounts for CVS Health. He is accountable for overall client satisfaction for his book of business and works in close coordination with his account teams and operational teams to ensure that clients receive consultative, solution based support, in a timely and responsive manner. Mr. Foster is dedicated to providing best-in-class service and works closely with his clients to help lower costs, drive member engagement and achieve their strategic goals.

Mr. Foster joined CVS Health in 2013 and started as a Strategic Proposal Analyst. In 2014, he became a Medicare Sales Advisor, where he managed the end to end sales process for CVS Caremark's Medicare Part D products for both new and existing business. In this capacity, Mr. Foster worked closely with Strategic Account Executive teams to identify client needs and consult on applicable retiree solutions. He has experience working with government entities, employers, and both bargained and non-bargained populations.

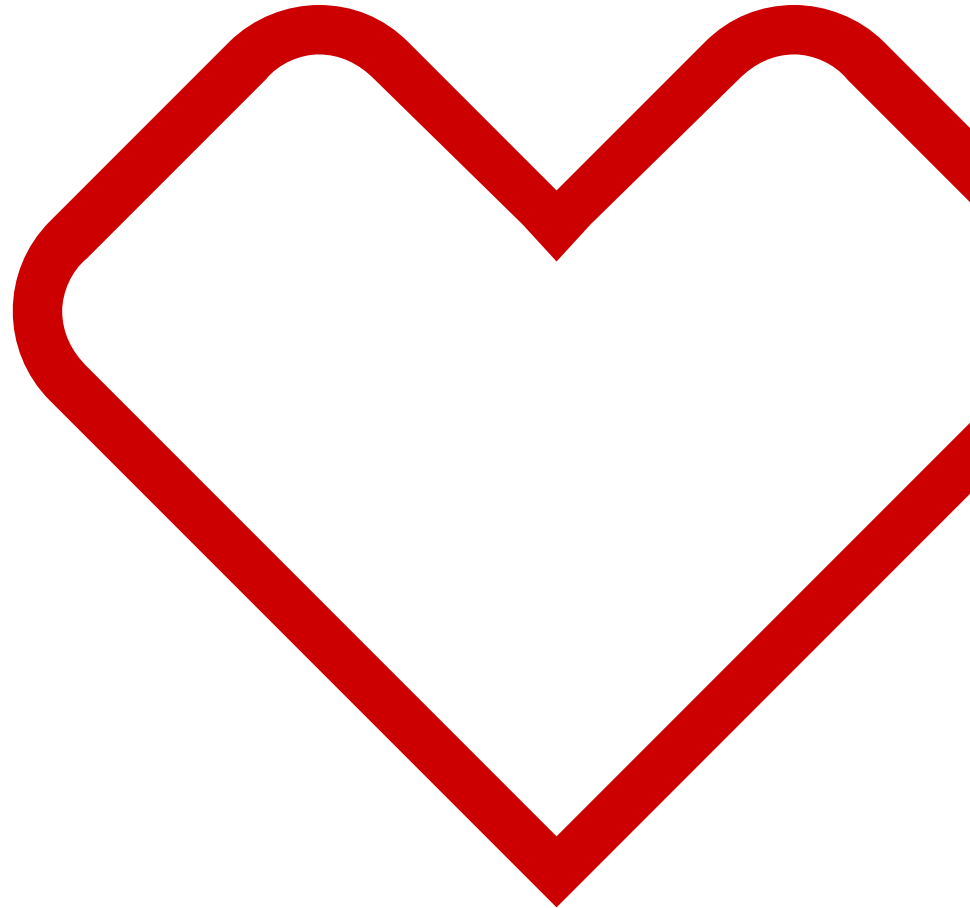
Prior to joining CVS Health, Mr. Foster worked as a Sales Representative for Express Scripts, beginning his tenure in the PBM Industry. He also has experience working in government relations and is a licensed insurance agent.

Mr. Foster attended Saint Louis University in St. Louis, Missouri. He graduated in 2008 with a Bachelor of Arts degree in English.

Pharmacy Trends & LACERA Cost Containment Initiatives

Lara Clower, RPh
Senior Clinical Advisor

January 23, 2019



LACERA 10 Year History & 3 Year Projection

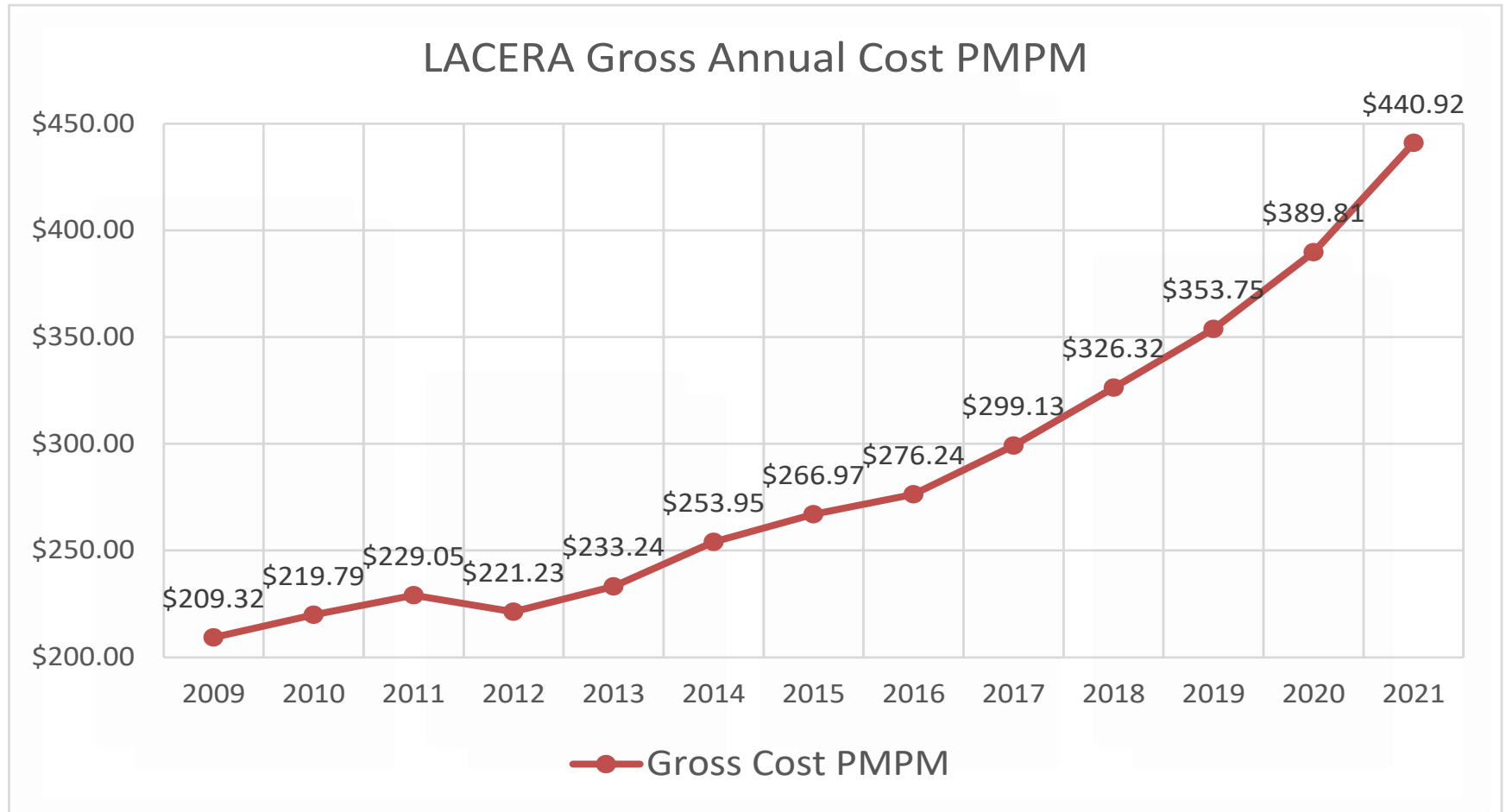
Calendar Year	Annual Past and Projected				Peer Trend
	Gross Cost PMPM	LACERA Gross Cost PMPM Trend	LACERA Utilization Trend	Avg Eligibility	EP 64+ (or best available)
2009	\$209.32		0.7%	24,046	
2010	\$219.79	5.0%	2.7%	24,426	3.8%
2011	\$229.05	4.2%	0.4%	24,930	2.7%
2012	\$221.23	-3.4%	-2.4%	25,386	2.0%
2013	\$233.24	5.4%	-0.2%	25,474	0.6%
2014	\$253.95	8.9%	0.3%	25,423	9.8%
2015	\$266.97	5.1%	-3.3%	25,804	9.6%
2016	\$276.24	3.5%	2.2%	26,419	7.7%
2017	\$299.13	7.1%	3.3%	26,998	6.0%
2018	\$326.32	9.1%	2.4%	27,576	6.4%
2019	\$353.75	8.4%	2.2%	27,576	9.0%
2020	\$389.81	10.2%	2.2%	27,576	10.2%
2021	\$440.92	13.1%	2.3%	27,576	13.1%

[1] Every effort is made by CVS Caremark and its advisors to maintain the highest level of accuracy in its projections; however, because of the variability of numerous factors, which are not under the control of CVS Health, we cannot guarantee these projections.

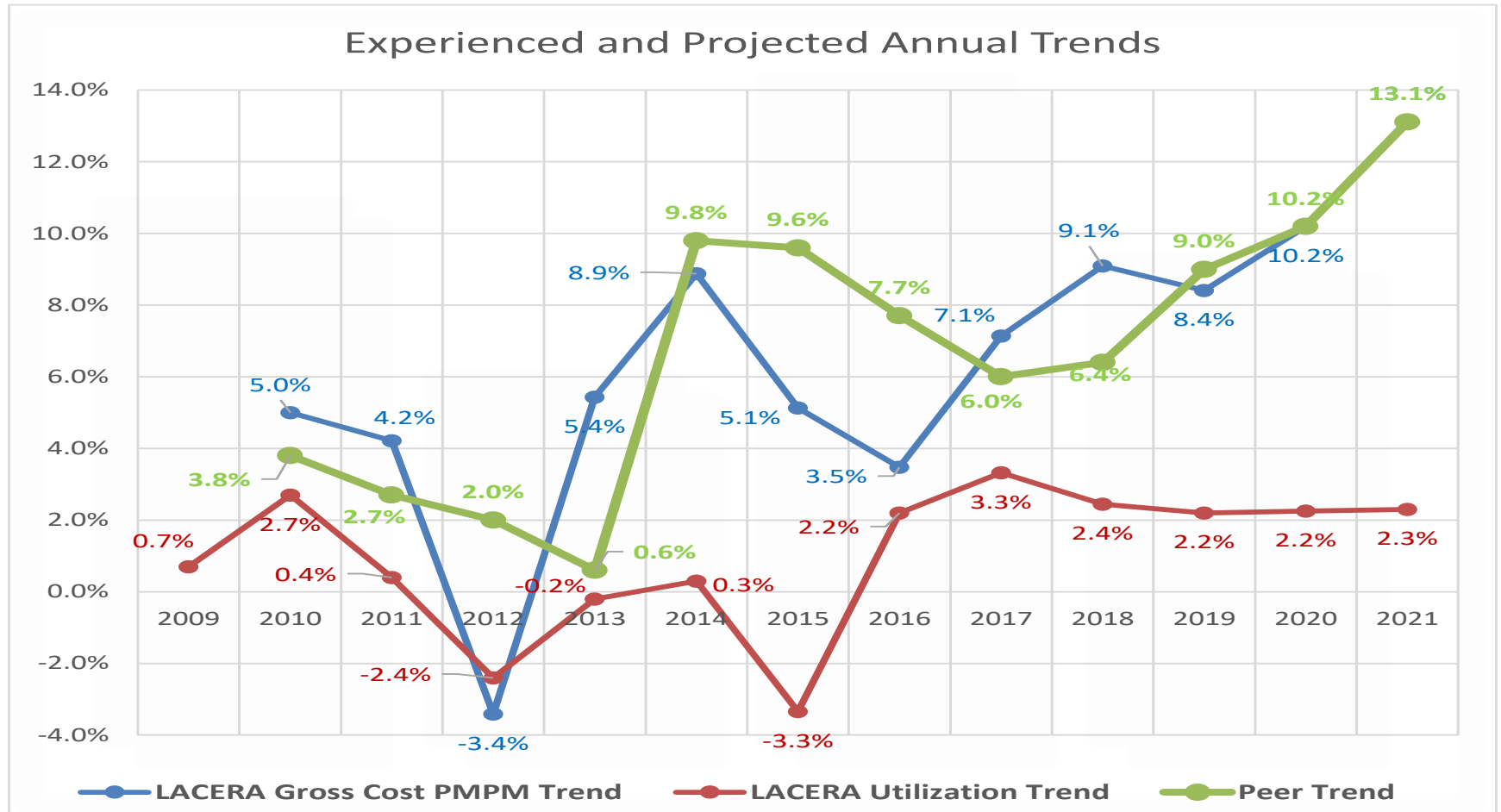
[2] Forecasted results are based on flat current enrollment; any changes in enrollment will impact the projections.

[3] This report contains confidential and proprietary information of CVS Caremark and is not a statement of actuarial opinion. It cannot be reproduced, distributed, or reprinted without written permission from CVS Caremark.

LACERA 10 Year Annual Historical Costs & Trends



LACERA 10 Year Annual Historical Costs & Trends

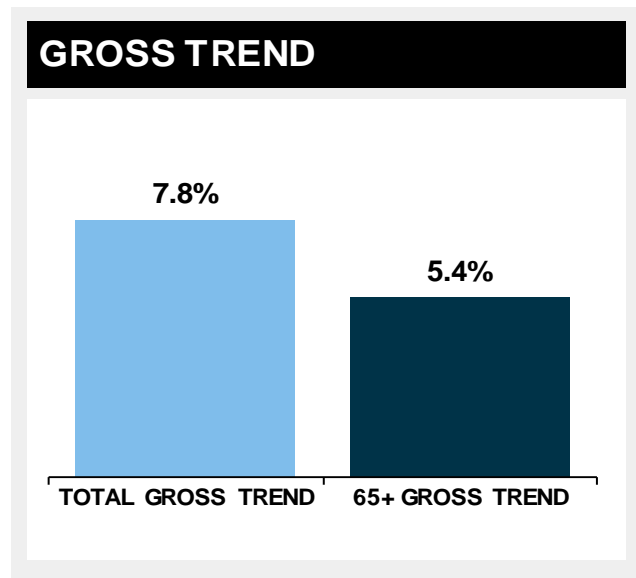
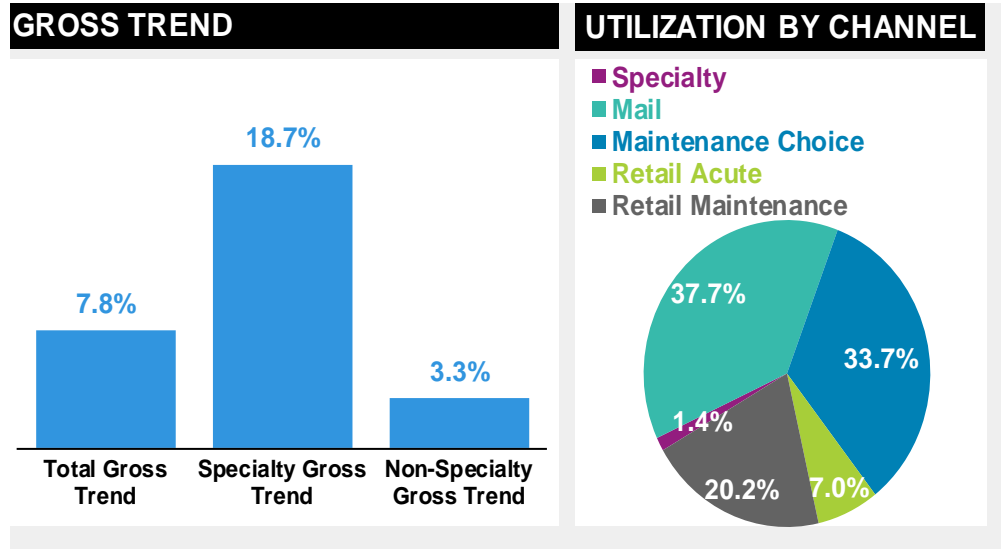


LACERA's Key Rx Metrics (11/1/17 – 10/31/18)

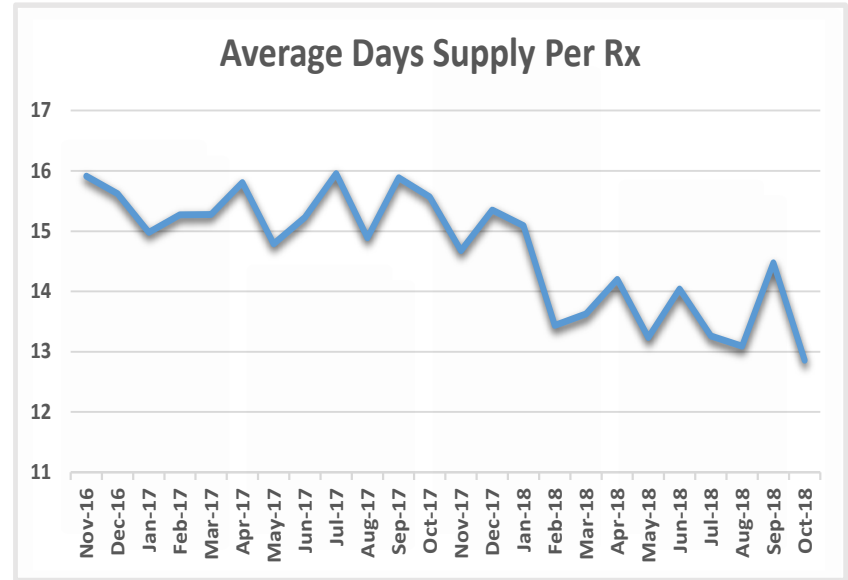
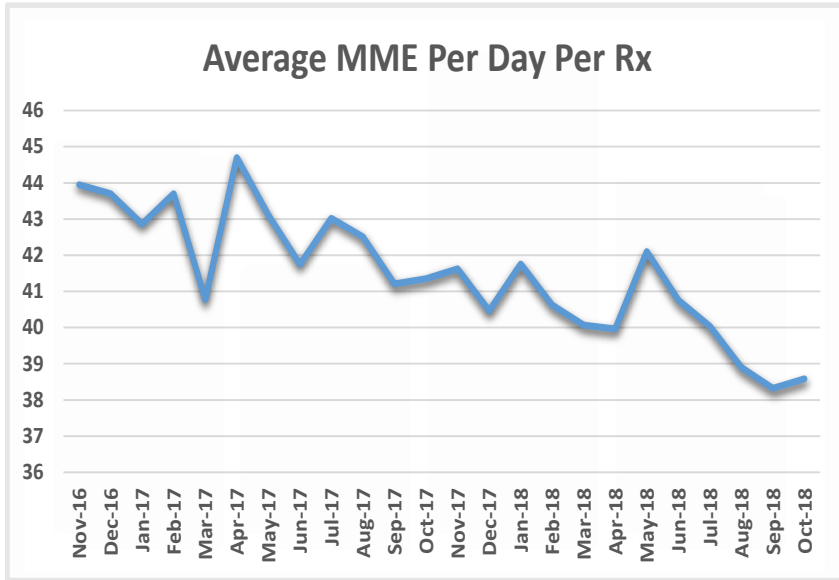
Key Metrics	LACERA	% Change from Prior	65+
Average Eligible Members	27,542	2.4%	
Total Rx	662,472	6.0%	
Gross Cost	\$106,073,665	10.3%	
Specialty Gross Cost	\$33,983,159	21.5%	
Specialty as a % of Total Gross Cost	32.0%	10.1%	42.7%
Generic Dispensing Rate	85.4%	-0.3%	86.0%

Trend Drivers	TOTAL	SPECIALTY
	LACERA	LACERA
Price Inflation	3.0%	6.2%
Utilization	2.2%	18.1%
Drug Mix	2.4%	-5.4%

Your Top Contributors to Trend		Contribution to Gross Trend
Overall Class	Gross Cost	LACERA
Antineoplastics	\$10,113,377	2.0%
Antidiabetics	\$12,803,644	1.7%
Anticoagulants	\$5,554,868	1.3%
Specialty		
Oncology	\$12,209,953	2.5%
Psoriasis	\$1,861,196	0.7%
Rheumatoid Arthritis	\$6,574,122	0.6%



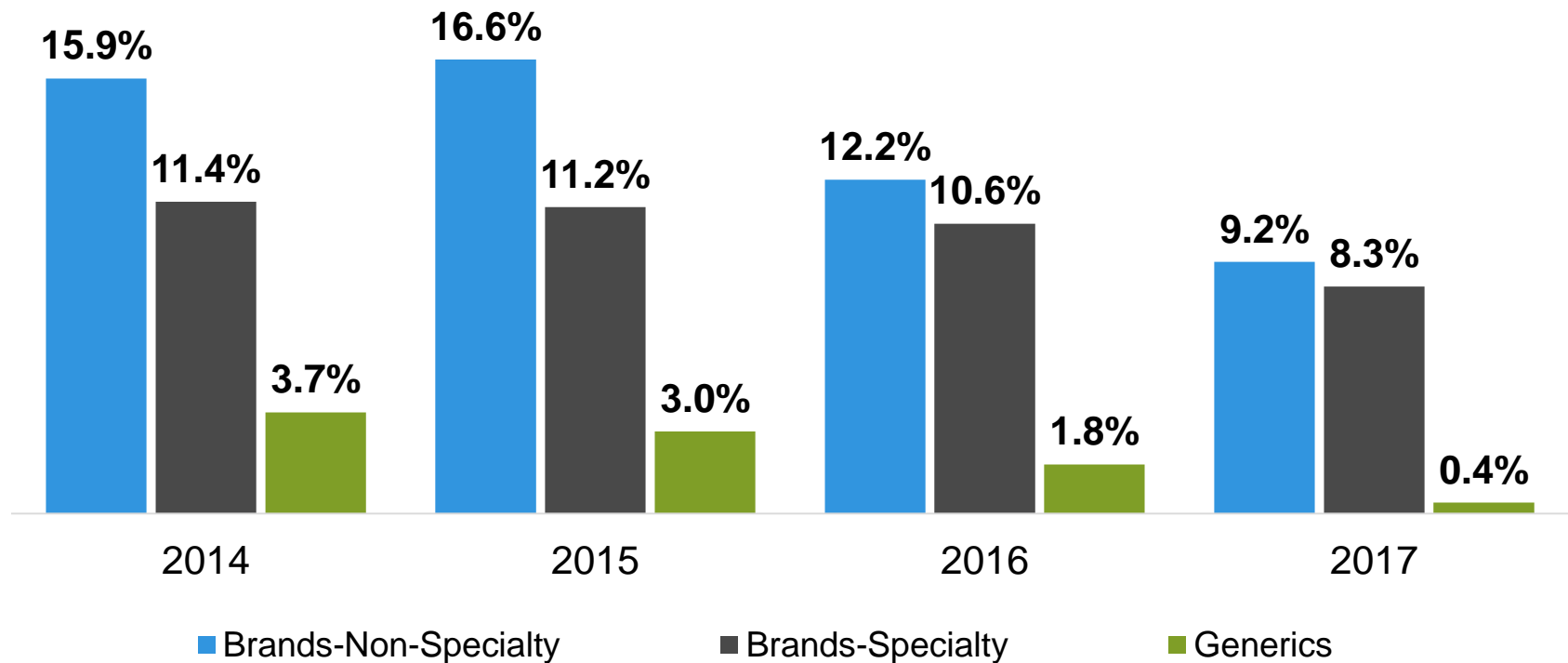
LACERA Opioid Trend (11/1/16 to 10/31/18)



MME=Morphine Milligram Equivalent

Despite AWP Inflation Near 10%...

AWP INFLATION 2014-2017



Source: CVS Health Drug Trend Report 2017.

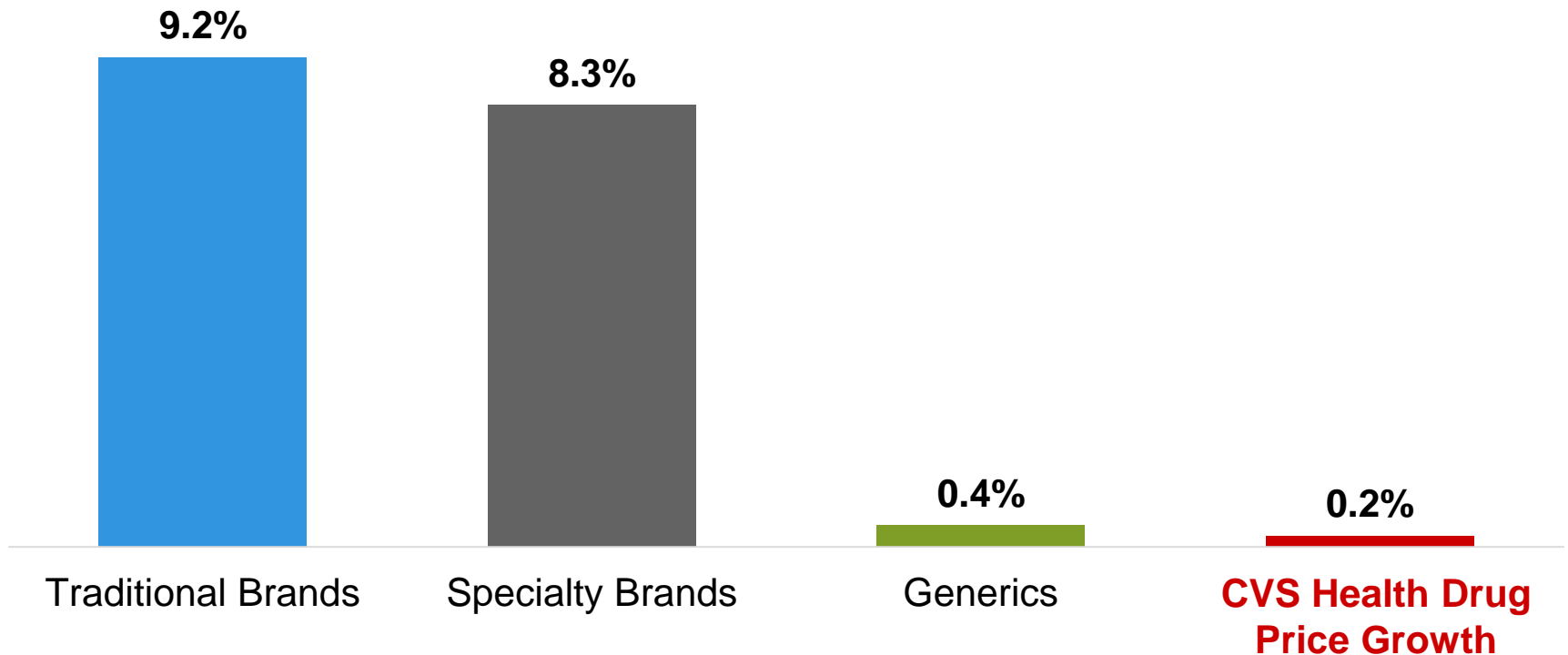
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We Kept Drug Price Growth Nearly Flat at 0.2%

DRUG PRICE GROWTH



Source: CVS Health Drug Trend Report 2017. Prescription drug trend is the measure of growth in prescription spending per member per month. Trend calculations take into account the effects of drug price, drug utilization and the mix of branded versus generic drugs, as well as the positive effect of negotiated rebates on overall trend. The 2017 trend cohort represents CVS Health commercial PBM clients—employers and health plans.

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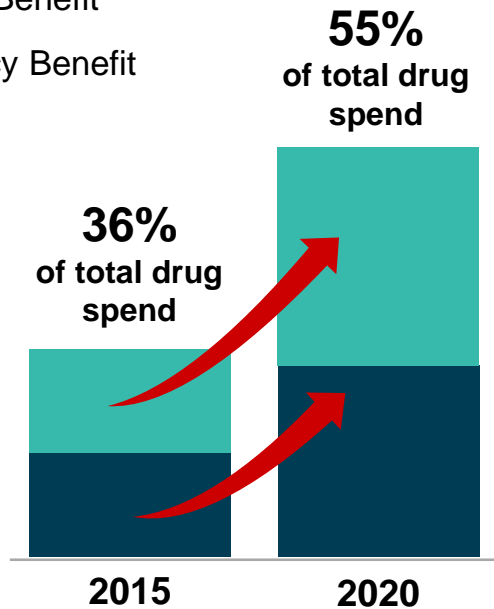
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Specialty Continues to Grow: By 2020, It Will Represent 55% of all Drug Spend¹

TOTAL INDUSTRY SPECIALTY SPEND¹

KEY FACTORS DRIVING TREND

- Medical Benefit
- Pharmacy Benefit



Nearly half of spend under medical benefit with limited visibility

- Increasing utilization
 - Robust pipeline
 - Expanding indications
 - Aging population
- Increasing prices
 - Brand-name drug price inflation
 - Higher cost for innovative drugs

New regulations and legislation will contribute to uncertain, changing market dynamics.

CVS Enterprise Analytics, 2016. "Medicines Use and Spending in the U.S." IMS, April 2016.

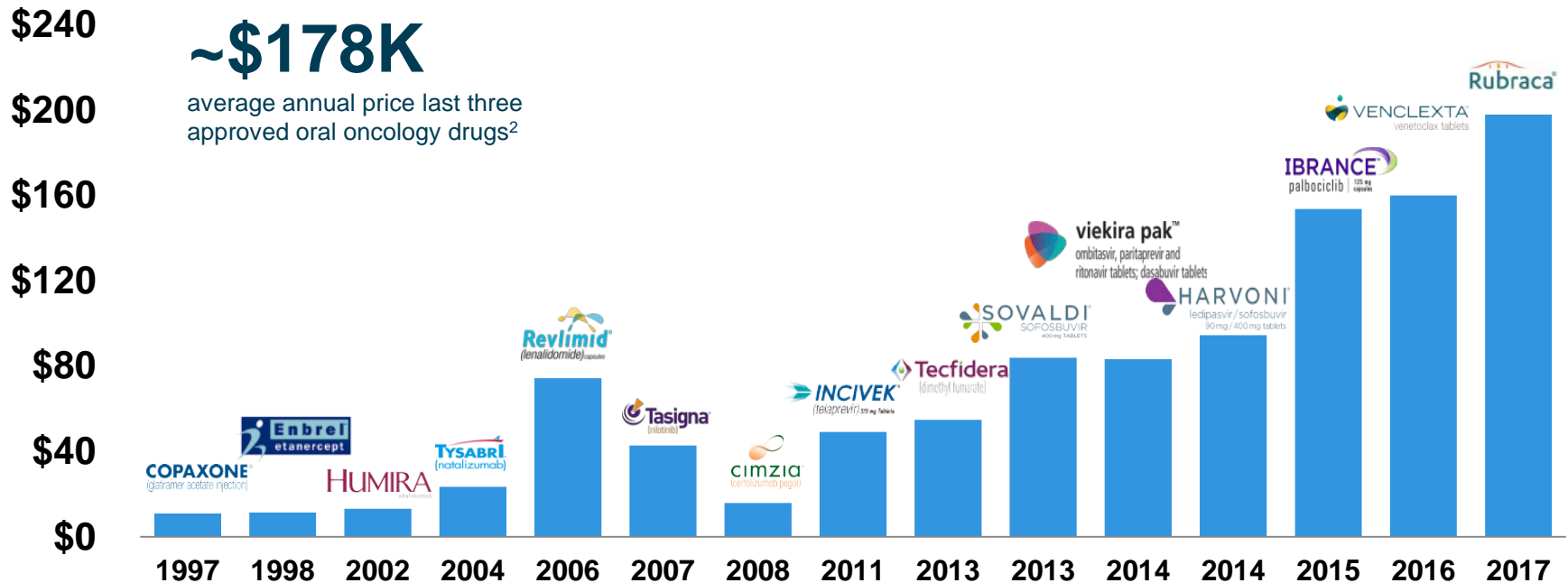
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Higher Launch Prices Contribute to Rising Specialty Spend

ANNUAL PRICE IN THOUSANDS¹



1. CVS Specialty™ analysis of Medispan data. Annual drug costs based on average wholesale price (AWP) accessed December 2017. This slide contains references to brand-name prescription drugs that are trademarks or registered trademarks of pharmaceutical manufacturers not affiliated with CVS Specialty.

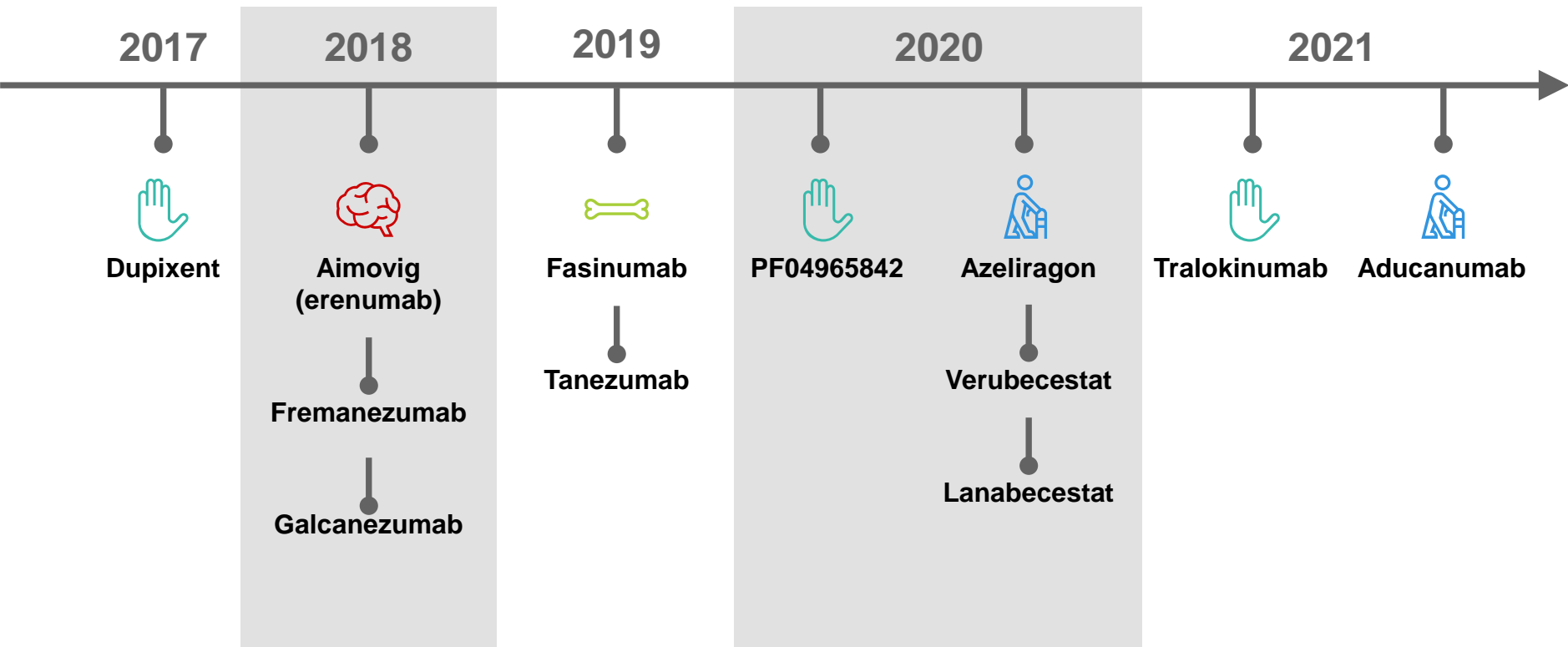
2. CVS Specialty Analytics. Drug launch cost based on Wholesale Acquisition Cost (WAC) launch pricing accessed March, 2018.

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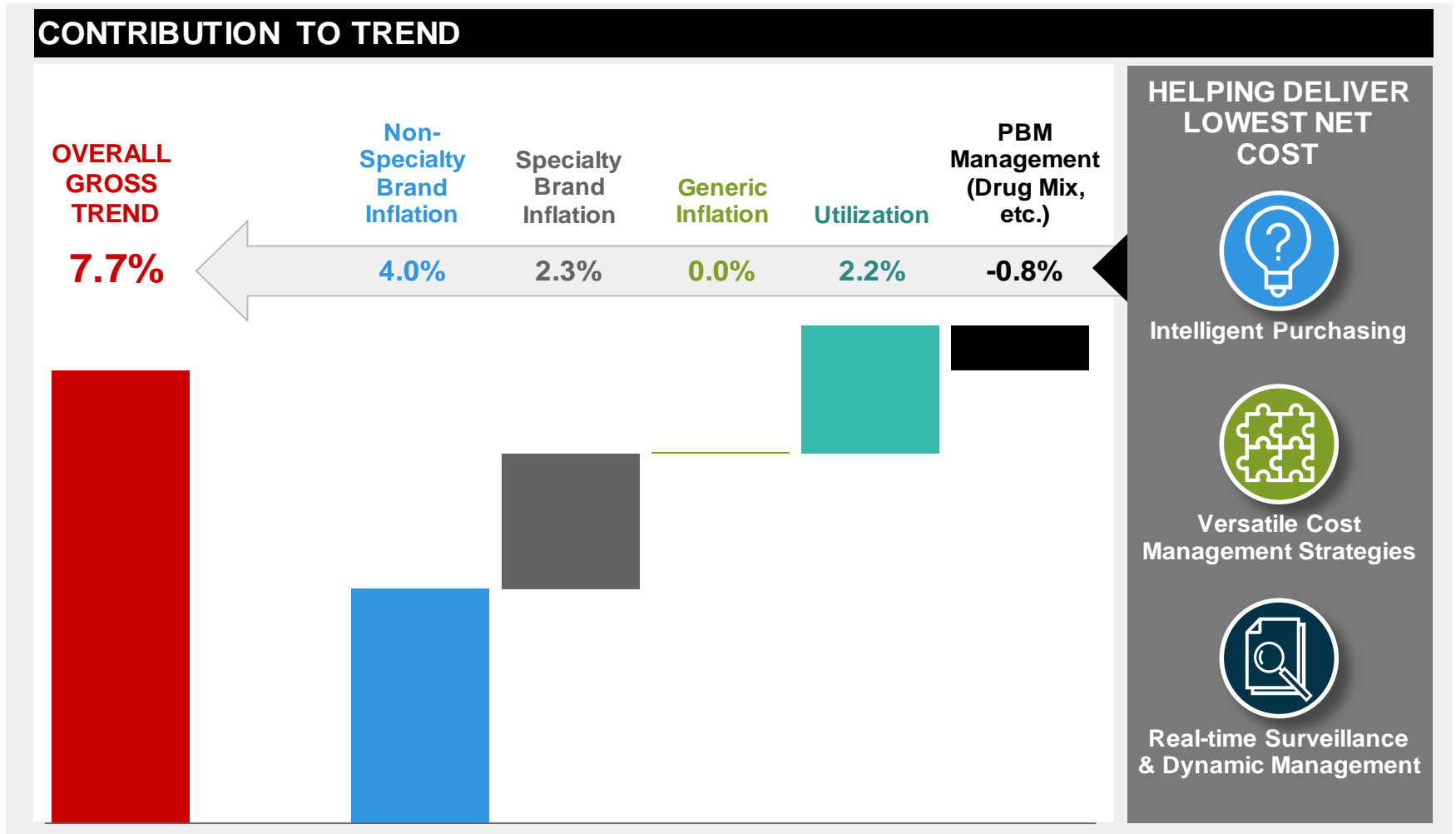
Robust Pipeline of Drugs with Novel Mechanisms Targeting Prevalent Conditions



Condition: Alzheimer's Atopic Dermatitis Migraine Osteoarthritis
Prevalence: 5M¹ 17.8M² 39M³ 27M⁴

1. <https://www.alz.org/facts/>, accessed February 2, 2018. 2. <http://www.ncbi.nlm.nih.gov/pubmed/17498413>, accessed February 2, 2018. 3. <http://migraineresearchfoundation.org/about-migraine/migraine-facts>, accessed February 2, 2018. 4. <https://report.nih.gov/NIHfactsheets/ViewFactSheet.aspx?csid=55>, accessed February 2, 2018. This slide contains references to brand-name prescription drugs that are trademarks or registered trademarks of pharmaceutical manufacturers not affiliated with CVS Health.

How CVS Caremark's Initiatives Are Helping to Curb LACERA's Rx Trends





LACERA's Cost Management Strategies

FORMULARY AND NETWORKS

Standard Control Formulary

Advanced Control Specialty Formulary

Maintenance Choice

Exclusive Specialty

PLAN DESIGN

Utilization Management

Specialty Guideline Management

Special Quantity Limits

Compound Drugs and Topical Analgesics

Comprehensive Opioid Strategy

IMPROVING HEALTH

Pharmacy Advisor Counseling

Condition Alerts

Care Management for Rare Diseases

Drug Savings Review

Specialty Connect



How the CVS Health Model Will Help Address Market Dynamics, Support and Advance Your Strategies



Containing Costs

Through our size and scale and versatile cost management solutions we've been able to keep client costs to similar, low increases year over year.

1.9%

2017 Trend¹



Connecting Care

We connect with providers with real-time information to ensure more informed decision-making and coordinated care, leading to lower costs and a better member experience.

~90%

Ability to connect to 90% of EHRs in U.S.²



Engaging Members

Our model unites the most touchpoints – including face to face – to help influence smarter choices that lead to improved adherence and lower costs.

140M

face-to-face pharmacist interactions each year¹

EHR (Electronic health record).

1. CVS Health Enterprise Analytics, 2017. 2. www.epic.com, 2017. CVS Health uses and shares data as allowed by applicable law, and by our agreements and our information firewall.

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Providing Actionable Real-Time Benefit Information When and Where it Matters Most



TRANSPARENCY AT THE POINT OF PRESCRIBING

- Cost of drug based on member plan coverage, deductible
- Up to five clinically appropriate therapeutic alternatives, specific to member's formulary
- Restrictions on selected drug (i.e., prior authorization)
- Whether the selected pharmacy is in network



TRANSPARENCY AT THE PHARMACY

- All Pharmacies**
- Up to five clinically appropriate therapeutic alternatives, specific to member's formulary
- CVS Pharmacies**
- Real-time, out-of-pocket costs for formulary alternatives and prescribed medication
 - Share additional cost savings opportunities, when available



TRANSPARENCY FOR MEMBERS

- Real-time, lower-cost clinical alternatives and real-time cost information available in the Check Drug Cost tool on Caremark.com
- Customer Care representatives have access to same real-time information to answer member questions, suggest cost-savings opportunities, etc.

CVS Health uses and shares data as allowed by applicable law, and by our agreements and our information firewall. Image source: CVS Health Creative Resource Library, accessed 2018.

Better Information and Decision Support Across Care Points

EPIC: MOST WIDELY USED EHR IN U.S.

ALLOWS INFORMATION SHARING BETWEEN OTHER EHRS

PROVIDE SYNCHRONIZED CARE ACROSS PROVIDERS

1.3M

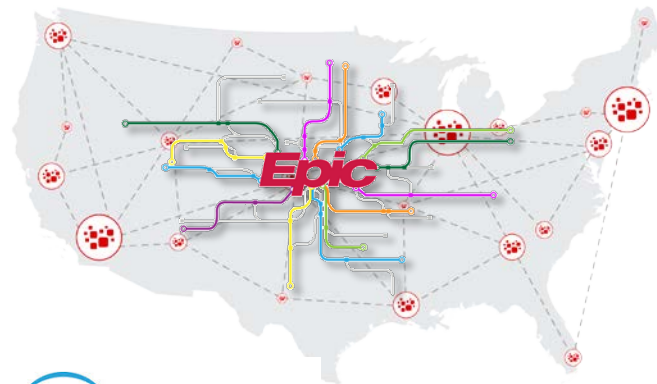
Records exchanged daily

186M

Patients

329,000

Providers



surescripts

Care Everywhere

- Records of medical visits, lab results and prescription history
- View interactions by other medical professionals
- Information provided to all care points across the care continuum

Reaching ~90% of EHRs in the U.S. to help support optimal member care

Source: www.epic.com, 2017. CVS Health uses and shares data as allowed by applicable law, and by our agreements and our information firewall.

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**James Metcalf DO, MBA
West Region Chief Medical Officer
United Healthcare Medicare and Retirement**

Career History:

James Metcalf DO earned his medical degree from Des Moines University in Iowa after graduating from Luther College in Decorah, Iowa. After finishing his residency in family medicine at the University of Iowa's Northeast Iowa Medical Education Foundation, Dr. Metcalf practiced rural medicine for 5 years in Iowa. He then began his practice in Las Vegas, Nevada in 2009 with Southwest Medical Associates and Healthcare Partners, where he was Lead Physician of Clinical Information Systems. He completed his MBA from the University of Nevada Las Vegas in 2014 and joined Optum in 2015 serving as Medical Director for OptumCare- Utah.

Dr. Metcalf originally grew up on a farm just outside of Waterloo, Iowa and currently resides in Reno, NV with his wife and two sons age 5 and 2. He enjoys hiking, swimming, running and several other outdoor activities.



Medicare Stars Overview

Health Plan Quality Assessment Identifying What Members Need

January 2019



“Quality is not an act, it is a habit.”

- Aristotle



Quality Ratings are Everywhere

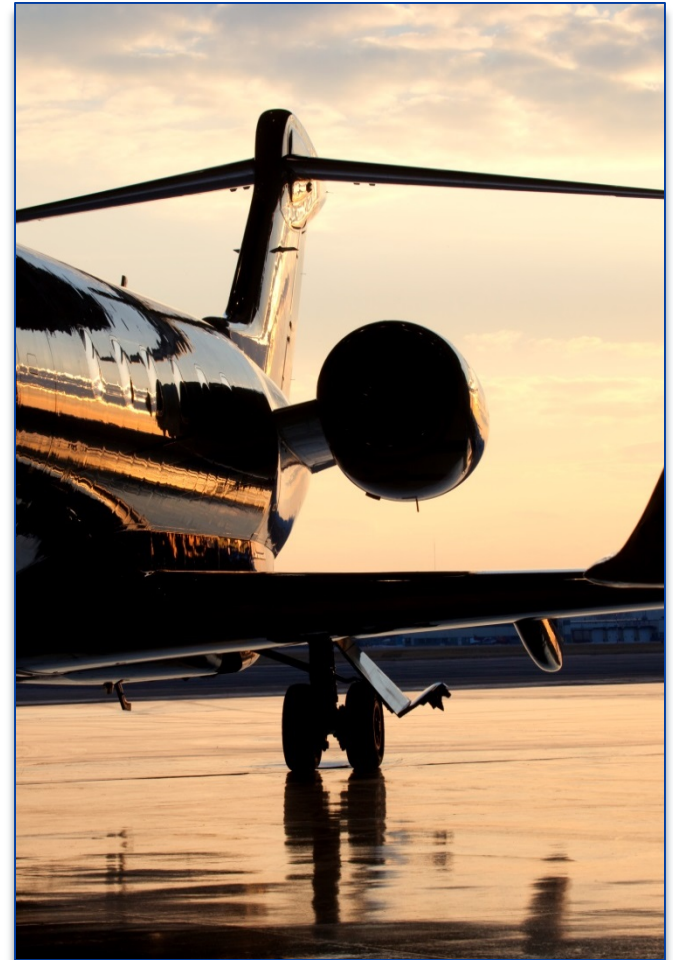
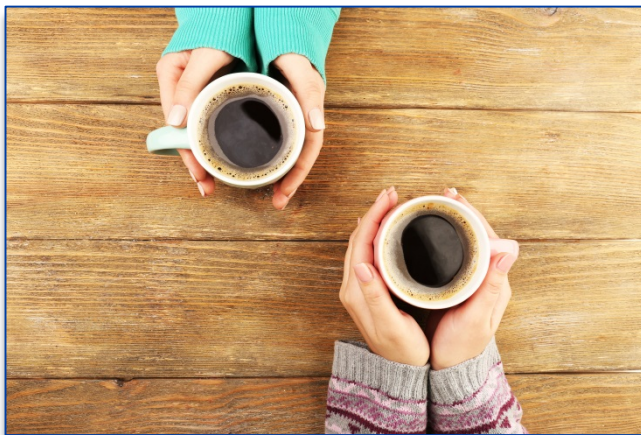



Quality

Good value	Gets what is expected and paid for
Trustworthy	Delivers what is promised
Easy to use	No hassles and flawless execution
Safe	Provides peace of mind and security
Loyalty	Comes back year after year
Earned	Not self-proclaimed, listens, innovates, exceeds expectations



Quality Ratings are Everywhere



- Star Ratings is a program **CMS** (Centers for Medicare & Medicaid Services) uses to compare Medicare Advantage Plans
- Each plan is rated on 40+/- star measures assessing different aspects of plan operations, members satisfaction, and member health
- Ratings roll up to an overall 1-5 star rating for each health plan
- Ratings are measured in half star increments (3, 3.5, 4, 4.5, etc)
- The amount of CMS funds a plan receives is dependent on their star rating
- Star Ratings are published annually on www.Medicare.gov 

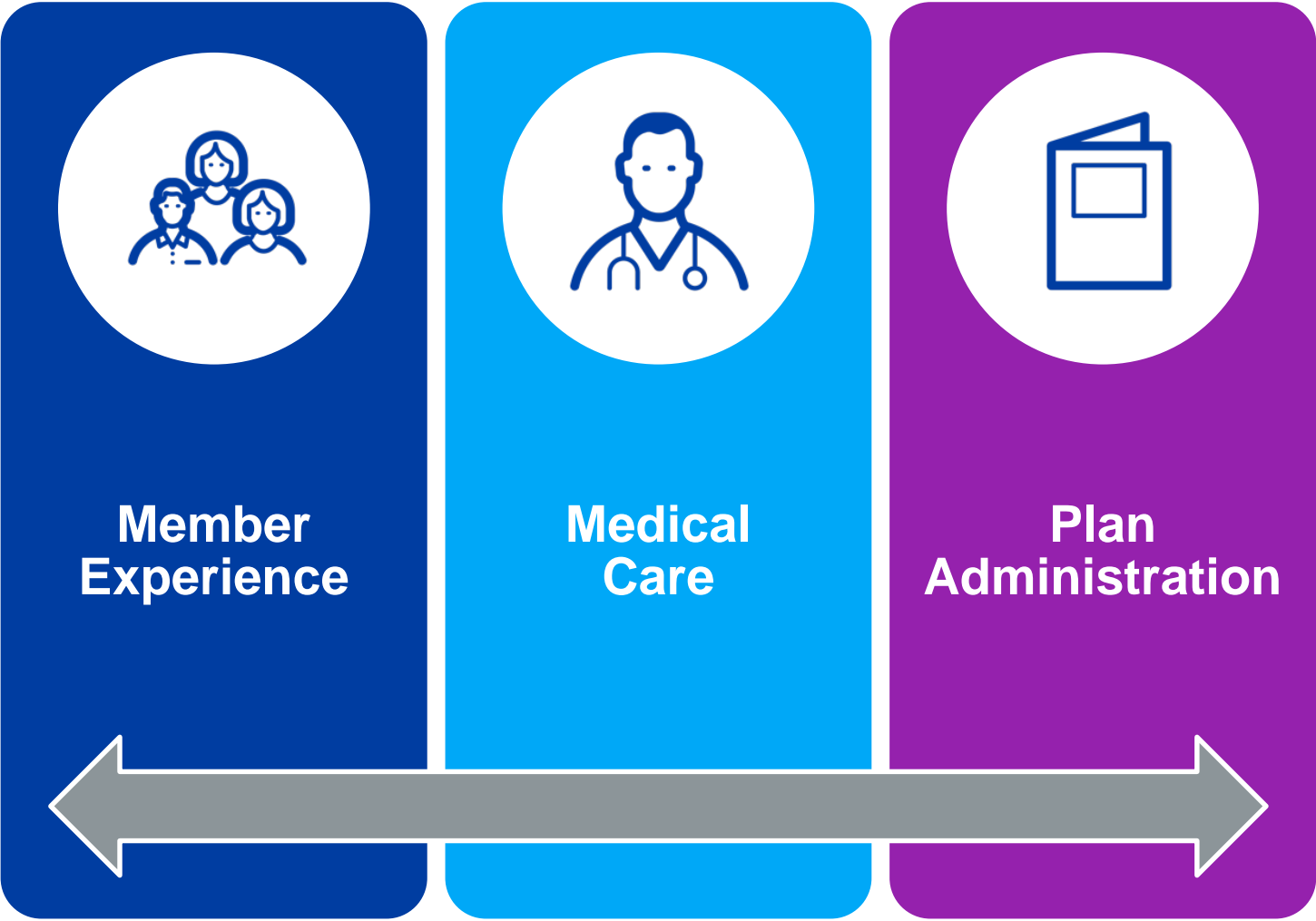
2019 Star Ratings for LACERA's Medicare Advantage Plans



Carrier	Star Ratings*
CIGNA	4.5
Kaiser	4.5 – 5.0
SCAN	4.5
UnitedHealthcare	4.0

*Star Ratings have financial implications for Medicare Advantage Health Plans. Plans with 4 or more stars are eligible for bonus payments from CMS.

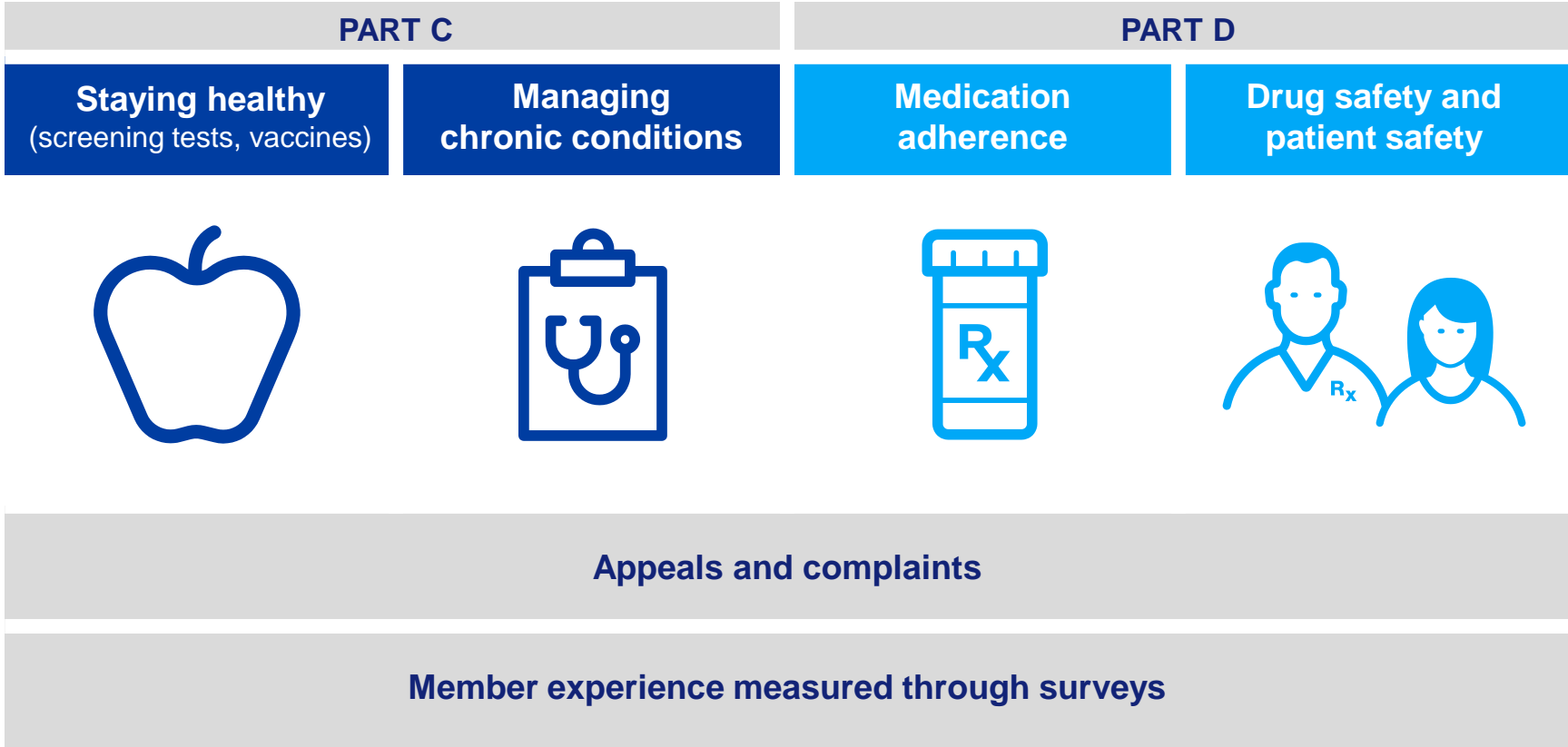
How CMS Measures Plan Performance: Quality Measures



How CMS Measures Plan Performance: Quality Measures



Medicare Advantage Star Ratings



Quality Measures 2018



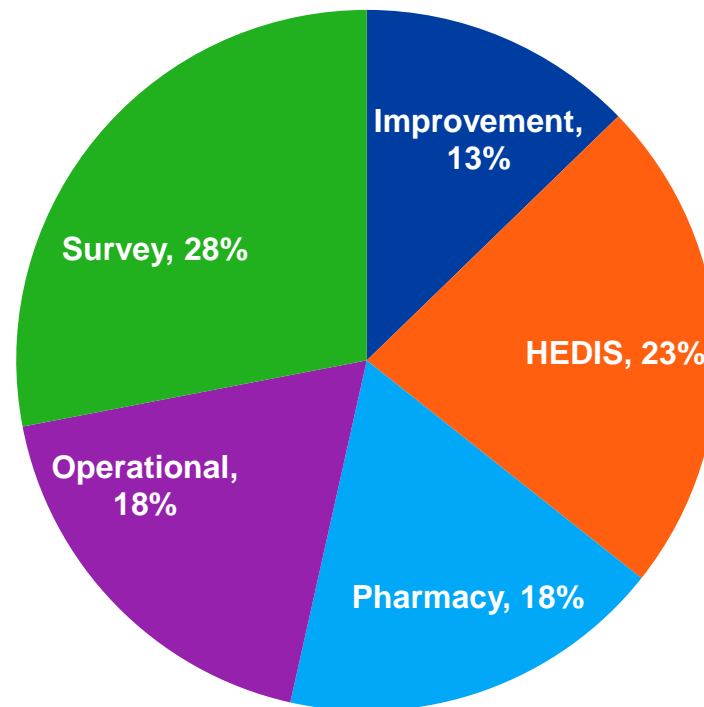
Currently CMS calculates a plan's rating based on 40+ individual quality measures

Member Experience	Plan Administration	Medical Care
*Source: Member CAHPS Survey	*Source: Health Plan Operations	*Source: HEDIS
Annual Flu Vaccine (FLU)	Complaints About the Health Plan - Part C & D (CTM)	Breast Cancer Screening (BCS)
Getting Needed Care (GNC)	Appeals Timeliness - Part C & D (APTM)	Colorectal Cancer Screening (COL)
Getting Appointments & Care Quickly (GCQ)	Appeals Fairness - Part C & D (APFR)	Adult BMI Assessment (ABA)
Customer Service (HPCS)	Beneficiary Access & Performance Problems (BAPP)	Diabetes Eye Exam (CDCEYE)
Overall Rating of Plan (RHP)		Diabetes Kidney Disease Monitoring (CDCNEP)
Care Coordination (COC)	*Source: Medicare Beneficiary Database	Diabetes Blood Sugar Controlled (CDCA1C9)
Rating of Drug Plan (RDP)	Members Choosing to Leave the Plan Part C & D (DSNR)	Osteoporosis Management (OMW)
Getting Needed Prescription Drugs (GNPD)		Rheumatoid Arthritis (ART)
	*Source: Call Center	Plan All Cause Readmissions (PCR)
*Source: Member Health Outcomes Survey	Foreign Language & TTY/TDD - Part C & D	Controlling Blood Pressure (CBP)
Improving or Maintaining Physical Health (PCS)	(FGN)	Medication Reconciliation Post Discharge (MRP)
Monitoring Physical Activity (PAO)		
Improving or Maintaining Mental Health (MCS)	*Source: HPMS	*Source Prescription Drug Event (Pharmacy)
Reducing Risk of Falling (FRM)	Medications Therapy Management - Comprehensive Medication Review (MTMCMR)	Medication Adherence for Oral Diabetes (MAD)
Improving Bladder Control (MUI)		Medication Adherence for Hypertension (MAH)
	**Potential New Measures	Medication Adherence for Cholesterol (MAC)
	Hospitalizations for Potentially Preventable Conditions (HPC)	Medicare Plan Finder - Price Accuracy (MPF)

Quality Improvement Measure: Measures the amount of year over year net significant change across all measures. This measure is calculated separately for Part C and Part D measures and is not a duplicate measure. *Source: Star Rating measures, current and prior year ratings

Star Categories

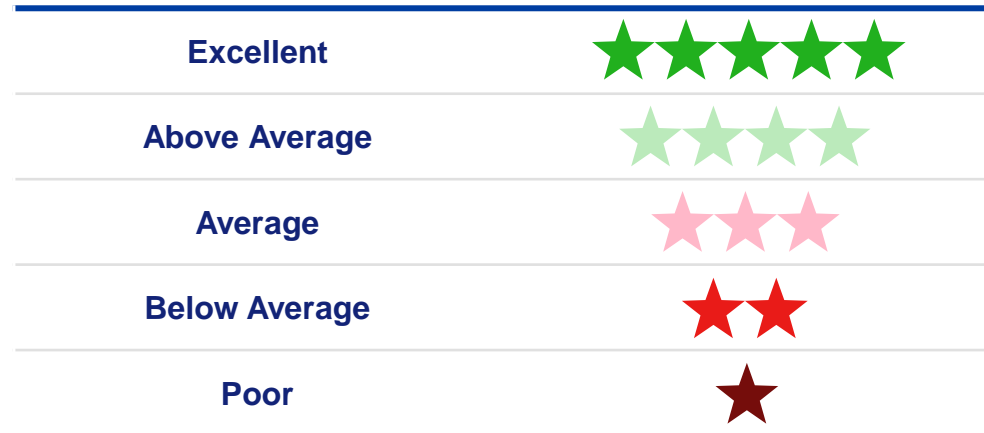
- Star measures fall into 5 primary categories
 - **HEDIS** – Part C quality measures
 - **Pharmacy** – Medication adherence and management measures
 - **Operational** – Specific to contract or plan operational factors
 - **Survey Results** – Based on member responses to the CAHPS and HOS surveys
 - **Improvement** – Statistically significant improvement



Medicare Star Ratings



Star Ratings



The Centers for Medicare & Medicaid Services (CMS) uses Star Ratings to rate quality for:

- Medicare Advantage (Part C)
- Prescription Drug Plans (Part D)

Star Ratings determine plan funding levels from CMS in the form of quality bonus payments and rebates.

Star Rating measures change annually and each are individually weighted. High performance thresholds typically increase over time.

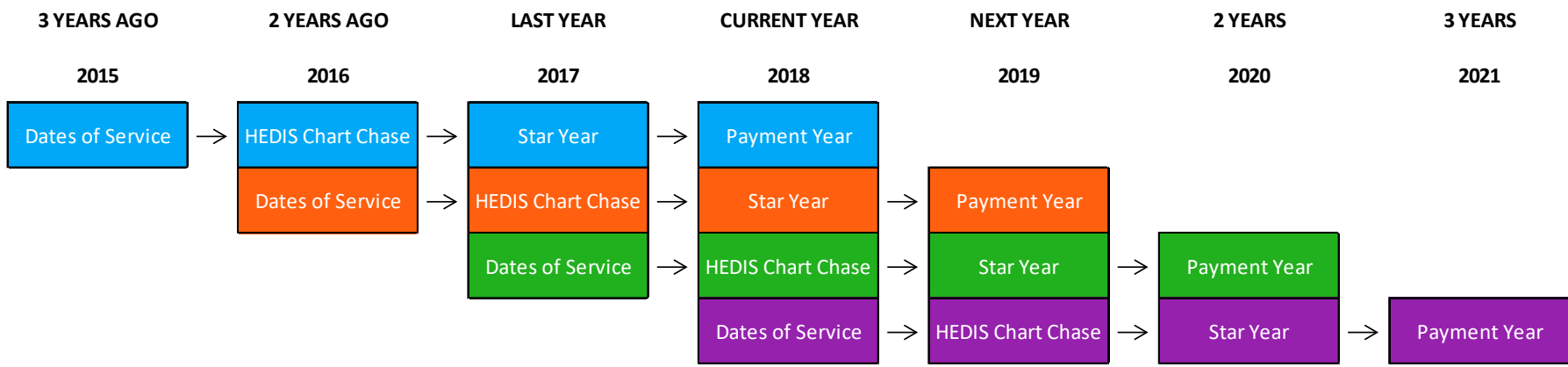
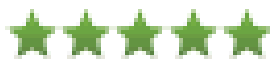
Dates of Service	HEDIS Chart Chase	Star Year	Payment Year
2015	2016	2017	2018
2016	2017	2018	2019
2017	2018	2019	2020

Star Ratings reflect plan performance from two years prior, with bonus payments issued three years after.

Understanding the Stars Timeline



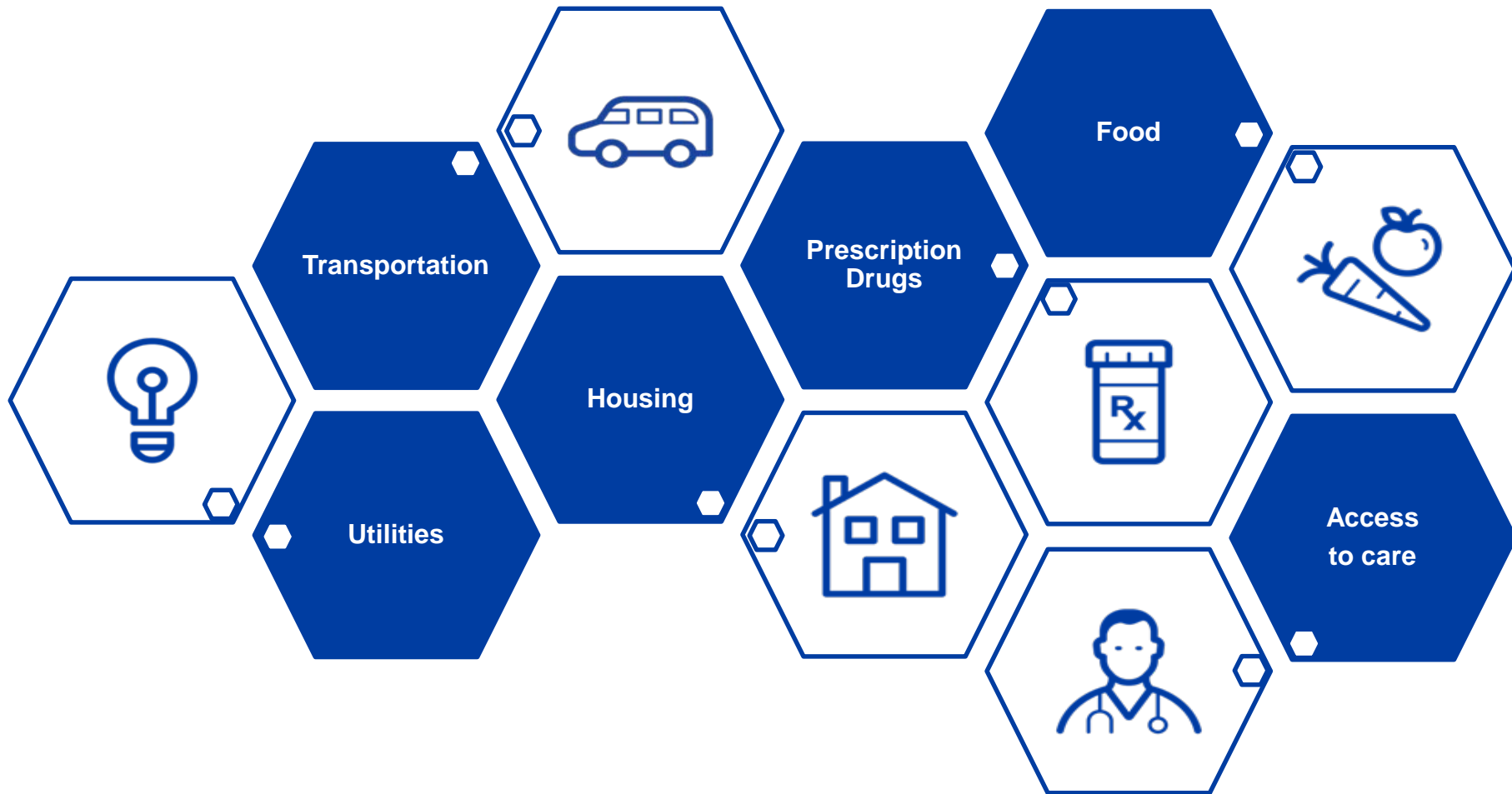
Stars Rating Timeline



Medicare Star Ratings – A Journey



What's Next?



Questions?

Expertise

Mr. Murphy is a Vice President and Benefits Consultant in Segal's Los Angeles office with over 30 years of health benefits experience. He works with public sector and higher education clients to develop and maintain their employee benefit plans. Mr. Murphy has specialized expertise in health strategy development and implementation, claim reporting and data analysis, and vendor evaluation, selection and management.

Professional Background

Prior to Segal, Mr. Murphy worked at other national consulting firms where he developed and maintained total rewards programs that were tax-efficient, cost-effective and valued by participants.

Education/Professional Designations

Mr. Murphy holds a BS in Business Administration from the University of Southern California and a MS in Human Resource Management from Boston University. He is a Certified Employee Benefits Specialist and holds a certificate in Global Business Management from the International Foundation of Employee Benefit Plans.