

AGENDA

A REGULAR MEETING OF THE BOARD OF RETIREMENT LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

9:00 A.M., WEDNESDAY, MAY 1, 2019

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

- I. CALL TO ORDER
- II. PLEDGE OF ALLEGIANCE
- III. APPROVAL OF MINUTES
 - A. Approval of the Minutes of the Regular Meeting of April 3, 2019
 - B. Approval of the Minutes of the Regular Meeting of April 11, 2019
- IV. OTHER COMMUNICATIONS
 - A. For Information
 - 1. March 2019 All Stars
 - 2. Chief Executive Officer's Report
(Memo dated April 22, 2019)
- V. PUBLIC COMMENT
- VI. CONSENT ITEMS
 - A. Ratification of Service Retirement and Survivor Benefit Application Approvals.

VI. CONSENT ITEMS (Continued)

- B. Recommendation as submitted by Tamara Caldwell, Acting Division Manager, Disability Retirement Services: That the Board dismiss with prejudice the appeal of Lauren J. Hoyt for a service-connected disability retirement. (Memo dated April 19, 2019)
- C. Recommendation that the Board approve attendance of Board members at the Cyber Fraud Summit on May 2-3, 2019 in San Francisco, California and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated March 29, 2019)
(Placed on the agenda at the request of Mr. Kehoe)
- D. Recommendation as submitted by Les Robbins, Chair, Insurance, Benefits, and Legislative Committee: That the Board 1) Approve a visit with Congress by Board members and staff as designated by the Chair of the Board of Retirement during the week of May 20, 2019 on Washington, D.C.; and 2) Approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated April 19, 2019)
- E. Recommendation as submitted by Les Robbins, Chair, Insurance, Benefits, and Legislative Committee: That the Board adopt a "Support" position on Assembly Bill 287, which relates to the annual audits of state and local retirement systems. (Memo dated April 19, 2019)
- F. Recommendation as submitted by Les Robbins, Chair, Insurance, Benefits, and Legislative Committee: That the Board adopt a "Support" position on Assembly Bill 664, which relates to disability retirement and peace officers. (Memo dated April 19, 2019)
- G. Recommendation as submitted by Alan Bernstein, Chair, Joint Organizational Governance Committee: That the Board approve the revised Joint Organizational Governance Committee Charter. (Memo dated April 17, 2019)
- H. Recommendation as submitted by Alan Bernstein, Chair, Joint Organizational Governance Committee: That the Board not adopt the proposed Joint Policy regarding External Communications of Board Members and maintain the current practice with respect to such communications without change. (Memo dated April 17, 2019)

VI. CONSENT ITEMS (Continued)

- I. Recommendation as submitted by Shawn Kehoe, Chair, Operations Oversight Committee: That the Board approve the purchase of Wolters Kluwer's TyMetrix 360° enterprise-wide Knowledge and Matter Management System. (Memo dated April 23, 2019)
- J. Recommendation as submitted by Shawn Kehoe, Chair, Operations Oversight Committee: That the Board approve the Teleconference Meeting Policy. (Memo dated April 17, 2019)

VII. EXCLUDED CONSENT ITEMS

VIII. NON-CONSENT ITEMS

- A. Recommendation as submitted by Barry W. Lew, Legislative Affairs Officer: That the Board adopt a "Support" position on Senate Joint Resolution 3, which would request the Congress of the United States to enact, and the President to sign, legislation that would repeal the Windfall Elimination Provision and Government Pension Offset from the Social Security Act. (Memo dated April 22, 2019)

IX. DISABILITY RETIREMENT APPLICATIONS ON CONSENT CALENDAR

X. REPORTS

- A. For Information Only as submitted by Ricki Contreras, Division Manager, Disability Retirement Services, regarding the Application Processing Time Snapshot Reports. (Memo dated April 16, 2019)
- B. For Information Only as submitted by the Audit Committee and Richard Bendall, Chief Audit Executive, regarding the Corporate Credit Card Audit Report. (Memo dated April 19, 2019)
- C. For Information Only as submitted by Barry W. Lew, Legislative Affairs Officer, regarding the Monthly Status Report on Legislation. (Memo dated April 20, 2019)
- D. For Information Only as submitted by Lou Lazatin, Chief Executive Officer, and Steven P. Rice, Chief Executive Officer, regarding the Final Procedures and Schedule for 2019 Board Elections. (Memo dated April 16, 2019)

X. REPORTS (Continued)

- E. For Information Only as submitted by Steven P. Rice, Chief Counsel, regarding the April 2019 Fiduciary Counsel Contact and Billing Report. (Memo dated April 22, 2019) (Privileged and Confidential Attorney-Client Communication/Attorney Work Product)

XI. ITEMS FOR STAFF REVIEW

- XII. GOOD OF THE ORDER
(For information purposes only)

XIII. DISABILITY RETIREMENT CASES TO BE HELD IN CLOSED SESSION

- A. Applications for Disability

- B. Staff Recommendations

1. Recommendation as submitted by Allison E. Barrett, Senior Staff Counsel: That the Board find 1) That Georgita Criner delayed filing her application for disability retirement because she was unable to ascertain the permanency of her incapacity until the day following her last day of regular compensation; 2) That her application be deemed filed on the day after her last day of regular compensation in accordance with Government Code Section 31724; and 3) That she is entitled to the option of an earlier effective date. (Letter dated April 15, 2019)
2. Recommendation as submitted by Jason E. Waller, Senior Staff Counsel: That the Board find 1) That Kathleen Daly delayed filing her application for disability retirement because she was unable to ascertain the permanency of her incapacity; 2) That her application is deemed filed on the day after her last day of regular compensation in accordance with Government Code Section 31724; and 3) That she is entitled to the option of an earlier effective date. (Letter dated April 15, 2019)
3. Recommendation as submitted by Eugenia W. Der, Senior Staff Counsel: That the Board find 1) That Leo Godfrey delayed filing his application for disability retirement because he was unable to ascertain the permanency of his incapacity; 2) That his application is deemed filed on the day after the last day of regular compensation in accordance with Government Code Section 31724; and 3) That he is entitled to the option of an earlier effective date. (Letter dated April 18, 2019)

XIII. DISABILITY RETIREMENT CASES TO BE HELD IN CLOSED SESSION

B. Staff Recommendations (Continued)

4. Recommendation as submitted by JJ Popowich, Assistant Executive Officer: That the Board approve the service provider invoices for Winet Patrick Gayer Creighton & Hanes. (Memo dated April 18, 2019)
5. For Information Only as submitted by Tamara Caldwell, Acting Manager, Disability Retirement Services Division regarding the 2019 Quarterly Reports of Paid Invoices. (Memo dated April 8, 2019)

XIV. EXECUTIVE SESSION

- A. Public Employee Performance Evaluation
(Pursuant to Paragraph (1) of Subdivision (b) of California Government Code Section 54957)
Title: Chief Executive Officer

XV. ADJOURNMENT

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

Persons requiring an alternative format of this agenda pursuant to Section 202 of the Americans with Disabilities Act of 1990 may request one by calling the Board Offices at (626) 564-6000, Ext. 4401/4402 from 8:30 a.m. to 5:00 p.m. Monday through Friday, but no later than 48 hours prior to the time the meeting is to commence. Assistive Listening Devices are available upon request. American Sign Language (ASL) Interpreters are available with at least three (3) business days notice before the meeting date.

MINUTES OF THE REGULAR MEETING OF THE BOARD OF RETIREMENT
LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

9:00 A.M., WEDNESDAY, APRIL 3, 2019

PRESENT: Alan Bernstein, Chair
Gina Zapanta-Murphy, Secretary
Vivian H. Gray
JP Harris (Alternate Retired)
Keith Knox (Chief Deputy to Joseph Kelly)
William Pryor (Alternate Safety)
Les Robbins, Vice Chair
Herman Santos
Thomas Walsh

ABSENT: Shawn R. Kehoe
Joseph Kelly
Ronald Okum

STAFF ADVISORS AND PARTICIPANTS

Lou Lazatin, Chief Executive Officer
John Popowich, Assistant Executive Officer
Steven P. Rice, Chief Counsel
Dr. Vito Campese, Medical Advisor

STAFF ADVISORS AND PARTICIPANTS

Tamara Caldwell, Specialist Supervisor
Disability Retirement Services

Hernan Barrientos, Specialist Supervisor
Disability Retirement Services

Francis J. Boyd, Senior Staff Counsel

I. CALL TO ORDER

The meeting was called to order by Mr. Bernstein at 9:00 a.m., in the Board Room of Gateway Plaza.

II. PLEDGE OF ALLEGIANCE

Mrs. Zapanta-Murphy led the Board Members and staff in reciting the Pledge of Allegiance.

III. APPROVAL OF MINUTES

A. Approval of the Minutes of the Regular Meeting of March 6, 2019

Mr. Pryor made a motion, Mr. Walsh seconded, to approve the minutes of the regular meeting of March 6, 2019. The motion passed unanimously.

IV. PUBLIC COMMENT

There were no requests from the public to speak.

V. CONSENT ITEMS

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

V. CONSENT ITEMS (Continued)

- A. Ratification of Service Retirement and Survivor Benefit Application Approvals.
- B. Recommendation as submitted by Ricki Contreras, Division Manager, Disability Retirement Services: That the Board grant the appeals and requests for an administrative hearing for applicants Ian S. Good, C. Renae Walker-Jones, Shonte D. McBride, and Cherie L. Miller. (Memo dated March 20, 2019)
- C. Recommendation as submitted by Ricki Contreras, Division Manager, Disability Retirement Services: That the Board dismiss with prejudice the application for correction appeal of Edmund D. Ybarra’s for an earlier effective date. (Memo dated March 21, 2019)

VI. DISABILITY RETIREMENT APPLICATIONS ON CONSENT CALENDAR

Safety Law Enforcement

Service-Connected Disability Applications

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

<u>APPLICATION NO.</u>	<u>NAME</u>
980C	RODOLFO E. BARRIOS
981C	MARK A. FEICKERT
982C	ENRIQUE MAGDALENO
983C*	HENRY M. GARZA
984C	FRANK J. TRABBIE

* Granted SCD – Employer Cannot Accommodate

VI. DISABILITY RETIREMENT APPLICATIONS ON CONSENT CALENDAR

Safety Law Enforcement (Continued)
Service-Connected Disability Applications

<u>APPLICATION NO.</u>	<u>NAME</u>
985C	STEVEN M. COX
986C	DANIEL R. CARLSON
987C	VANCE E. DUFFY
988C	TY C. LABBE
989C	LOUIS A. SUAZO
990C	TERRY I. LUSK
991C	ELIZABETH M. DUNCAN
992C	RICHARD OCHOA-GARCIA
993C	JOSEPH W. VILLANUEVA
994C	DONNIE L. MAULDIN
995C	CYNTHIA CLOYD
996C	FELIPE G. DIAZ
997C	TERRENCE J. WENGER
998C	ROBERT C. THIES
999C	GREGORY M. HUTT
1D	DAMERON O. PEYTON
2D*	HUGO MOSQUERA
3D	PATRICK J. MURPHY

VI. DISABILITY RETIREMENT APPLICATIONS ON CONSENT CALENDAR

Safety Law Enforcement (Continued)
Service-Connected Disability Applications

<u>APPLICATION NO.</u>	<u>NAME</u>
4D	CHAE H. SONG
5D	MARK S. WILKINS
6D*	GLENN C. SPRUILL
7D	RICHARD L. ENGLISH II

Safety Fire, Lifeguards
Service-Connected Disability Applications

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

<u>APPLICATION NO.</u>	<u>NAME</u>
1090B	STEVE D. OLSON
1091B	H.E. FOWLER
1092B	HENRY M. MORALES
1093B	THOMAS P. ENCINAS
1094B	ROBERT J. HARMON
1095B	GENE C. RINK

VI. DISABILITY RETIREMENT APPLICATIONS ON CONSENT CALENDAR

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

<u>APPLICATION NO.</u>	<u>NAME</u>
1096B*	PHILIP G. OLIVAS
1097B	DARYL M. GOULET
1098B	DANIEL BROCK
1099B	TIM E. FORDHAM
1100B	STEVEN P. REGALADO
1101B	RUBEN C. RAMOS

General Members
Service-Connected Disability Applications

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

<u>APPLICATION NO.</u>	<u>NAME</u>
2944B**	GRACE I. OGUNDIPE
2945B*	CESAR A. SIMEON
2946B*	LILY CACHEIRO

* Granted SCD – Employer Cannot Accommodate
** Granted SCD – Retroactive

VI. DISABILITY RETIREMENT APPLICATIONS ON CONSENT CALENDAR

General Members (Continued)
Service-Connected Disability Applications

<u>APPLICATION NO.</u>	<u>NAME</u>
2947B*	STEPHEN J. VINCENT
2948B*	SANDRA L. DURAN
2949B**	WENDY M. WITHERS
2950B*	WANDA R. ANTWINE
2951B	MICHAEL GRANT

General Members
Nonservice-Connected Disability Applications

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

<u>APPLICATION NO.</u>	<u>NAME</u>
4380***	JOVETT D. MARSHALL
4381	FIONA E. HOSLET

* Granted SCD – Retroactive Since the Employer Cannot Accommodate

** Granted SCD – Salary Supplement

*** Granted NSCD - Retroactive

VII. REPORTS

- A. For Information Only as submitted by Ricki Contreras, Division Manager, Disability Retirement Services, regarding the Application Processing Time Snapshot Reports. (Memo dated March 20, 2019)

This Item was received and filed.

VIII. ITEMS FOR STAFF REVIEW

There was nothing to report.

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

There were no comments from the Board.

X. DISABILITY RETIREMENT CASES TO BE HELD IN CLOSED SESSION

- A. Applications for Disability

APPLICATION NO. & NAME

BOARD ACTION

5065B – CHEOCHENG CHEN

Mr. Bernstein made a motion, Mr. Pryor seconded, to grant a nonservice-connected disability retirement without prejudice pursuant to Government Code Sections 31720 with the panel physician limiting applicant to part-time work. The motion passed unanimously by all Board members present.

5066B – REYMUNDO HINOJOS

Mr. Pryor made a motion, Ms. Gray seconded to grant a nonservice-connected disability retirement pursuant to Government Code Section 31720 and 31724. The motion passed unanimously by all Board members present.

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

B. Staff Recommendations

1. Recommendation as submitted by Allison E. Barrett, Senior Staff Counsel: That the Board find that the delay in filing Derrick Mingo's application was due to his inability to ascertain the permanency of his incapacity and that his application be deemed filed on the day after the last day of regular compensation; and that he is entitled to the option of an earlier effective date. (Letter dated March 19, 2019)

Mr. Harris made a motion, Ms. Gray seconded, to approve the recommendation. The motion passed unanimously by all Board members present.

2. Recommendation as submitted by Eugenia W. Der, Senior Staff Counsel: That the Board find that the delay in filing Brenda McClanahan's application was due to her inability to ascertain the permanency of her incapacity and that his application be deemed filed on the day after the last day of regular compensation; and that he is entitled to the option of an earlier effective date. (Letter dated March 8, 2019)

Mr. Harris made a motion, Ms. Gray seconded, to approve the recommendation. The motion passed unanimously by all Board members present.

3. Recommendation as submitted by Eugenia W. Der, Senior Staff Counsel: That the Board find that the delay in filing Peter Murrieta's application was due to his inability to ascertain the permanency of his incapacity and that his application be deemed filed on the day after the last day of regular compensation; and that he is entitled to the option of an earlier effective date. (Letter dated March 8, 2019)

Mr. Harris made a motion, Ms. Gray seconded, to approve the recommendation. The motion passed

X. DISABILITY RETIREMENT CASES TO BE HELD IN CLOSED SESSION

B. Staff Recommendations (Continued)

unanimously by all Board members present.

4. Recommendation as submitted by Jason E. Waller, Senior Staff Counsel: That the Board find that the delay in filing David C. Smith's application was due to his inability to ascertain the permanency of his incapacity and that his application be deemed filed on the day after the last day of regular compensation; and that he is entitled to the option of an earlier effective date. (Letter dated February 27, 2019)

Mr. Harris made a motion, Mr. Robbins seconded, to approve the recommendation. The motion passed unanimously by all Board members present.

5. Recommendation as submitted by Jason E. Waller, Senior Staff Counsel: That the Board find that the delay in filing Alicia Flores's application was due to her inability to ascertain the permanency of his incapacity and that her application be deemed filed on the day after the last day of regular compensation; and that he is entitled to the option of an earlier effective date. (Letter dated February 27, 2019)

Mr. Harris made a motion, Ms. Gray seconded, to approve the recommendation. The motion passed unanimously by all Board members present.

6. Recommendation as submitted by Francis J. Boyd, Senior Staff Counsel: That the Board approve the service provider invoices for Irene P. Ayala. (Memo dated March 15, 2019)

Mr. Harris made a motion, Ms. Gray seconded, to approve the recommendation. The motion passed

X. DISABILITY RETIREMENT CASES TO BE HELD IN CLOSED SESSION

B. Staff Recommendations (Continued)

unanimously by all Board members present.

7. Recommendation as submitted by Ricki Contreras, Manager: That the Board approve the service provider invoice for Stuart Fischer, M.D. (Memo dated March 20, 2019)

Mr. Harris made a motion, Mr. Robbins seconded, to approve the recommendation. The motion passed unanimously by all Board members present.

XI. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 9:10 a.m.

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

1. Disability Retirement Correction Memo – Chuocheng Chen (Memo dated April 2, 2019)

GINA ZAPANTA-MURPHY, SECRETARY

ALAN BERNSTEIN, CHAIR

MINUTES OF THE REGULAR MEETING OF THE BOARD OF RETIREMENT
LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 N. LAKE AVENUE, SUITE 810, PASADENA, CA 91101

9:00 A.M., THURSDAY, APRIL 11, 2019

PRESENT: Alan Bernstein, Chair
Les Robbins, Vice Chair
Gina Zapanta-Murphy, Secretary
Vivian H. Gray
JP Harris (Alternate Retired)
Shawn R. Kehoe
Joseph Kelly
Keith Knox (Chief Deputy to Joseph Kelly)
Ronald Okum
William Pryor (Alternate Safety)
Herman Santos
Thomas Walsh

STAFF ADVISORS AND PARTICIPANTS

Lou Lazatin, Chief Executive Officer
John Popowich, Assistant Executive Officer
Steven P. Rice, Chief Counsel
John Nogales, Human Resource Director

STAFF ADVISORS AND PARTICIPANTS

Bernie Buenaflor, Benefits Division Manager

Barry W. Lew, Legislature Affairs Officer

Johanna Fontenot, Senior Staff Counsel

I. CALL TO ORDER

The meeting was called to order by Mr. Bernstein at 9:00 a.m., in the Board Room of Gateway Plaza.

II. PLEDGE OF ALLEGIANCE

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

III. APPROVAL OF MINUTES

A. Approval of the Minutes of the Regular Meeting of March 14, 2019

Mr. Santos made a motion, Mr. Harris seconded, to approve the minutes of the regular meeting of March 14, 2019. The motion passed with Mr. Robbins abstaining.

IV. OTHER COMMUNICATIONS

A. For Information

1. February 2019 All Stars

Mr. Popowich announced the eight winners for the month of February: Cookie Jaranilla, Bonnie Nolley, Van Bonifacio, Koreana Wong, John Nogales, Roxana Castillo, Wenona Myers, and Daniel Marroquin for the Employee Recognition Program. Joie Dang, Gladys Asuncion, Lisa Chasse, and Victor Tafolla were the

IV. OTHER COMMUNICATIONS

A. For Information

1. February 2019 All Stars (Continued)

winners of LACERA's RideShare Program.

2. Chief Executive Officer's Report (Memo dated April 1, 2019)

Ms. Lazatin highlighted topics written in the Chief Executive Officer's Report and answered questions from the Board.

V. PUBLIC COMMENT

There were no requests from the public to speak.

VI. CONSENT ITEMS

Mr. Santos made a motion, Ms. Gray seconded, to approve Consent Items A-F, except Item D. The motion passed unanimously with those Board members present.

- A. Recommendation as submitted by Vivian H. Gray, Board Member: That the Board ratify attendance for Board member, Vivian H. Gray, to the Pension Bridge Annual Conference which was held on April 9-10, 2019 in San Francisco, California and approve reimbursement of all costs associated with the conference according to LACERA's Education and Travel Policy. (Memo dated March 29, 2019)
- B. Recommendation that the Board approve attendance of Board members at the National Association of Securities Professionals 30th Annual Pension and Financial Services Conference on June 24 –26, 2019 in Baltimore, Maryland and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated April 1, 2019) (Placed on the agenda at the request of Ms. Gray)

VI. CONSENT ITEMS (Continued)

- C. Recommendation as submitted by the Joint Organizational Governance Committee: That the Board approve a 60-day extension of time to the June 2019 Board meetings for the Joint Organizational Governance Committee (JOGC) to present a recommendation for revisions to the JOGC Charter. (Memo dated March 29, 2019)
- D. Recommendation as submitted by Les Robbins, Chair, Insurance, Benefits and Legislative Committee: That the Board 1) Approve a visit in 2019 in Sacramento, CA with the California State Legislature by Board members and staff as designated by the Chair of the Board of Retirement; and 2) Approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy. (Memo dated March 14, 2019)

This Item was placed in Excluded Consent Items for further discussion.

- E. Recommendation as submitted by Les Robbins, Chair, Insurance, Benefits and Legislative Committee: That the Board adopt a "Support" position on S.521, which would enact the "Social Security Fairness Act." (Memo dated March 19, 2019)
- F. Recommendation as submitted by Les Robbins, Chair, Insurance, Benefits and Legislative Committee: That the Board adopt a "Support" position on H.R. 141, which would enact the "Social Security Fairness Act of 2019." (Memo dated March 19, 2019)

VII. EXCLUDED CONSENT ITEMS

Ms. Lazatin was present and answered questions from the Board pertaining

to Item VI. D.

Mr. Kelly made a motion, Mr. Harris seconded, to approve the recommendation. The motion passed unanimously with those Board members present.

VIII. NON-CONSENT ITEMS

- A. Recommendation as submitted by Bernie Buenaflor, Division Manager, Benefits Division: That the Board 1) Determine, based upon the medical evaluation, that Carolyn Donaldson is not incapacitated for the duties assigned

VIII. NON-CONSENT ITEMS (Continued)

to her in the position of Eligibility Worker II; and 2) Grant the application of Carolyn Donaldson for reinstatement to active membership.
(Memo dated March 22, 2019)

Mr. Robbins made a motion, Mr. Kehoe seconded, to approve the recommendation. The motion passed unanimously with those Board members present.

- B. Recommendation as submitted by Lou Lazatin, Chief Executive Officer: That the Board provide the SACRS voting delegate direction on voting for the SACRS slate of officers. (Memo dated April 1, 2019)

Mr. Pryor made a motion, Ms. Gray seconded, to approve the recommendation. The motion passed unanimously with those Board members present.

IX. REPORTS

- A. For Information Only as submitted John Nogales, Human Resources Director and Roberta Van Nortrick, Training Coordinator, regarding the Sexual Harassment Prevention Training for Trustees. (Memo dated March 29, 2019)

This Item was received and filed. Ms. Gray encouraged Board members to attend the Sexual Harassment Prevention Training for Trustees provided at the SACRS Spring Conference.

- B. For Information Only as submitted by Barry W. Lew, Legislature Affairs Officer, regarding the Monthly Status Report on Legislation.
(Memo dated April 1, 2019)

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

This Item was received and filed.

IX. REPORTS (Continued)

- C. For Information Only as submitted by Steven P. Rice, Chief Counsel, regarding the March 2019 Fiduciary Counsel Contact and Billing Report. (Memo dated April 1, 2019) (Privileged and Confidential Attorney-Client Communication/Attorney Work Product)

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

This Item was received and filed.

X. ITEMS FOR STAFF REVIEW

The Board requested that a written report regarding the CEO's legislative visit to Sacramento be provided to the Board. In addition, the Board requested that the Telecommuting Policy and the Credit Card Policy be brought to the Operations Oversight Committee for further discussion. Lastly, the Board requested the timeline for the lacera.com redesign be provided to the Board.

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

Mr. Santos and Ms. Gray shared their experience in attending the TBI conference in San Diego, CA. Mr. Kelly shared that the LA County Board of Supervisors voted to authorize payment towards LACMA's Peter Zumthor-designed rebuild project. Lastly, Mr. Robbins requested that an update be provided on the January privacy incident that occurred.

XII. EXECUTIVE SESSION

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

XII. EXECUTIVE SESSION (Continued)

1. One Case

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

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

1. Cal Fire Local 2881 v. CalPERS et al.,
California Supreme Court
Case No. S239958
(For Information Only)

The Board met in Executive Session with counsel pursuant to Paragraph (1) of Subdivision (d) of California Government Code Section 54956.9. There was nothing to report.

XIII. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 9:29 a.m.

GINA ZAPANTA-MURPHY, SECRETARY

ALAN BERNSTEIN, CHAIR



April 22, 2019

TO: Each Member
Board of Retirement
Board of Investments

FROM: Lou Lazatin
Chief Executive Officer

SUBJECT: **CHIEF EXECUTIVE OFFICER'S REPORT**

I am pleased to present the Chief Executive Officer's Report that highlights a few of the operational activities that have taken place during the past month, key business metrics to monitor how well we are meeting our performance objectives, and an educational calendar.

Thoughts on Preserving Healthcare

During the April Joint Organizational Governance Committee meeting FY 2019-2020 budget discussion, the Committee expressed concerns and confusion regarding the use of the term "Transforming Healthcare" in the budget. Reflecting on the comments, it would be best if we change the terminology and provide some insight into our intended approach to Retiree Healthcare. Going forward we are proposing the use of the term "Preserving Retiree Healthcare" which is more in line with the intent behind the previous terminology.

I recognize we have an extremely beneficial and long running arrangement with the County of Los Angeles to provide healthcare to all LACERA retirees. The Retiree Healthcare plans we offer reflect the shared values of LACERA and Los Angeles County and demonstrate our commitment to taking care of and providing for our retired members and their families. The use of the previous terminology was never meant to imply a deviation or dissatisfaction with LACERA's current agreement with the Los Angeles County.

Rather, the intent was to share a vision of making positive and opportunistic moves to preserve the future of retiree healthcare. There are many steps LACERA can consider taking that will help keep costs down, improve access to services and the overall health for our members. We intend to open an ongoing dialogue with your Boards on what steps we may take in the future, to preserve and improve our services.

For example, LACERA may choose to focus its efforts on addressing the cost of prescription drugs. Recently, Governor Newsom announced the formation of a partnership between the state of California and the LA County Board of Supervisors to work together to negotiate lower prescription drug costs with the manufacturers. LACERA may explore supporting or partnering with the State and County on this initiative. With drug costs being a contributor to rising costs, working together on this effort may prove extremely beneficial to the continued sustainability of the retiree healthcare system.

LACERA has long recognized healthier active employees lead to healthier retired employees. We may choose to partner with the County to coordinate messaging and education to active members on the importance of adopting and maintaining good health habits as they work towards their retirement goals. The earlier we can encourage members and their families to adopt active and healthy habits the more likely they will remain in good health longer into their retirement years which in turn helps keep costs down.

LACERA can also continually look at ways to provide better service to our members. Your Boards have been very supportive in our continuing proactive steps to provide more support to the Retiree Healthcare operations by adding staff to the Retiree Healthcare Call Center and expanding their access to modern technology. In this year's budget request, we are also proposing the addition of an accountant who will report to Retiree Healthcare, but operate under the guidance of our Chief Financial Officer to improve our auditing and billing. There are many additional ways we may consider expanding and improving the already good service we provide to our members.

By taking innovative proactive steps to keep costs down and improve the services we provide today; we help preserve our valuable plans so all LACERA members (current and future) can rest easy knowing we will be there for them – as promised.

Legislative Visits to Sacramento

The March CEO Report shared a short recount of the recent visit that Barry Lew, Legislative Analyst, LACERA, Joe Ackler and Naomi Padron, LACERA's Legislative Lobbyists, and myself had with legislative representatives, their staff, and Governor Newsom's staff in Sacramento. As you may recall, the purpose of our visit was to form connections with our representatives and to educate them about the LACERA story: our history, the valuable benefits we offer our members, the positive impact those benefits have on local economies, and the sound management your Boards and our staff have conducted over the years that has led to LACERA being one of the better funded plans in the state.

The conversations were informative and substantial and it is my pleasure, as requested, to share with your Boards, some of the takeaways from the conversations we held:

- One common theme among the representatives were the benefits and challenges of Environmental and Social Governance (ESG) efforts. There was an acknowledgement of the tensions between politics and investments. Specifically, the challenges created by politically driven impact and divestiture efforts in CalPERS' ability to maximize returns. The legislators recognized that the primary focus of a retirement system should be on earning a sufficient rate of return to pay the promised benefits.
- We had a productive meeting with a member of Senate Chair Jerry Hill's staff who was interested in how we balance risk vs. reward in order to outperform the market. We took this opportunity to share LACERA's story about diversification through our asset allocation policy.
- Our meeting with Senator Robert Hertzberg focused on our shared belief that defined benefit plans are the best vehicle to provide for a secure retirement and that defined contribution plans, while important, cannot meet the needs of retirees. We discussed the need to find new and innovative ways to position this narrative politically to ensure the future of defined benefit plans.
- Many of the representatives were very interested in the demographic membership within their respective districts. We committed to providing this information to them.

Credit Card Policy

In our April CEO Report, we announced that we had completed an update to the LACERA Credit Card Policy. The revised policy provides updated and clearer procedures for how staff members assigned a credit card should be reporting and approving transactions. The policy, designed solely for LACERA's administrative staff members, provides stronger oversight controls to ensure compliance with the policy. Like the previous Credit Card Policy, it retains similar restrictions on the types of purchases that are allowed and supports the existing Procurement Policy and Education & Travel Policy. Financial and Accounting Services Division will be discussing the Credit Card Policy in more detail during this month's Operations Oversight Committee meeting.

Update on Our Focus on Strategic Plan Goals and Operations Improvement

The Workgroups focusing on the top four Strategic Plan goals continue to meet regularly to move our goals forward. Here is a summary of the current status of their efforts:

- **Case Management Capabilities:** This redefined goal brings together at least three Strategic Plan goals (Case Management, Job Ticket, and Disability Writ Processing) and will positively impact at last seven divisions. The cross-functional workgroup consisting of the Legal Office, Disability Retirement Services (DRS), Disability Litigation, the Executive Office, Member Services, Benefits, Retiree Healthcare and Quality Assurance continue to meet weekly to move this critical project forward. All seven divisions have provided their initial input and Systems has compared and developed the initial assessment document. The workgroup is now developing a presentation for the June 2019 Operations Oversight Committee meeting to discuss the project and plans for the next phase. Weekly meetings involving Systems, Disability Retirement Services, and Disability Litigation are on-going to keep this project on track.
- **LACERA.com Redesign:** This workgroup is headed up by Communications and consists of members from Benefits, Disability Retirement Services, the Executive Office, Financial Accounting Services, Internal Audit, Investments, the Legal Office, Member Services, Retiree Healthcare, and Systems. The Workgroup focusing on this Strategic Plan goal meets regularly and recently finalized their project plan. The Workgroup's targeted launch date is March 30, 2020. The team recently introduced their proposed site architecture and Systems is modifying the current prototype to fit the revised architecture. A working wireframe prototype (a prototype designed to show how data and topics will be organized and how the site will be navigated) is scheduled to be completed by May 15, 2019. This prototype will be shared internally to solicit feedback on the site navigation. The next step is the complete review of all data and text on the website, which currently represents over 400 pages of text. We have attached the finalized project plan to this report.
- **Retirement Estimate Redesign Project:** The workgroup, consisting of members from Member Services, Benefits, Communications, Quality Assurance, Systems, the Executive Office, and the Legal Office, is making progress on defining the design for the new Retirement Application and Election form. Communications has taken all of the feedback generated by the team and developed a preliminary design. The team has completed the first review stage and Communications and the team are now working on finalizing the content with a completion goal of mid-May 2019. Following this step, the team will develop a "working model" that includes all the relevant text, which will be circulated internally for comment. The team's target date for launch of the new "Retirement Application" is scheduled for late August 2019. Phase II of this project will be to develop the on-line election process.
- **PEPRA Implementation:** This workgroup continues reviewing all the progress made to date on the implementation of the Public Employees Pension Reform Act of 2013 and subsequent updates to the act passed since then. The team is proud to announce that we

have completed the implementation of the Felony Forfeiture Appeal process. This completes a major milestone for this project. The Workgroup continues to work with the Auditor-Controller's office to address the issue with the County payroll codes. As you may recall, for LACERA to readily assess what portion of an employee's total compensation is pensionable or not, the payroll code 099 must be made more transparent so it is easier to identify the pay codes that are embedded in this code. The Auditor-Controller is focused on helping LACERA address this problem, but has recently advised us of unanticipated delays. In the meantime, the Workgroup is focusing on another part of this goal, which intersects with another Strategic Plan goal: the redesign of the Annual Benefit Statement (ABS). Our current statement only supports legacy plan members and is not supported for PEPRA members. Considerable progress was already made on the redesign efforts by the Communications team. As Communications works to finalize the design, the Workgroup has begun development of an RFP for the Operations Oversight Committee's consideration to find a vendor to produce the new ABS. The Workgroup consists of members from Benefits, Communications, the Executive Office, Internal Audit, the Legal Office, Member Services, Quality Assurance, and Systems.

My goal is to continue to keep the Boards updated on other cross-functional teams that are working hard to provide improvements to LACERA's operations and the services we provide to our members.

- **Matter/Knowledge Management System:** Investments, Legal Services, and Systems submitted their Wolter Kluwers TyMetrix T360 request for approval at the April 2019 Operations Oversight Committee (OOC) meeting. The OOC voted to recommend approval to the Board of Retirement (which will be considered in May 2019). KMS allows our staff to view all information on a vendor in one place, including contact information, meeting notes, billing, contracts, and other important documents. Currently, Legal and Investments use a patchwork of Microsoft based applications as well as time-intensive manual process in their daily work. KMS will create an environment where knowledge and work papers could be shared with this bi-divisional team that processes over four hundred investment transactions (partnership agreements, investment management agreements, and NDAs) valued at over \$4B annually. Additionally, the team reviews contracts for the entire organization and responds to over 200 public record requests annually. The BOR approved \$150,000 for KMS software in the FY 2018-2019 budget.
- **Business Continuity:** The workgroup working on this project, which is headed up by our Administrative Services Division, is still in the process of evaluating the new company that has acquired SunGard. The workgroup will review the results of the evaluation

process and determine whether we wish to proceed with the new company or re-bid the project.

- **Telecommuting Policy:** A Workgroup consisting of the Executive Office, Human Resources, and Systems has been established to take another look at allowing telecommuting. The Workgroup is currently surveying Division Management to determine what positions should be considered for telecommuting and what data/system access would be needed to support the need. We will continue to keep the Boards' updated on the progress of this goal.

Upcoming Retirement

John Nogales, Director of Human Resources has provided a formal notification of his intent to retire by September 2019. Recruitment of his replacement will be initiated and updates will be provided to the Boards regularly.

LL:jp
CEO report May 2019.doc

Attachments

Striving for Excellence in Service



Outreach Attendance
2,833

29,101 Year-to-Date



Outreach Events
24

304 Year-to-Date



Outreach Satisfaction
96.5%

2.5% Change Since Last Mo.



Member Service Center
100.0%

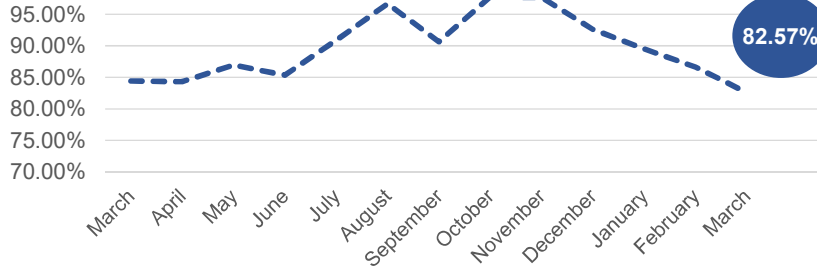
0.0% Change Since Last Mo.



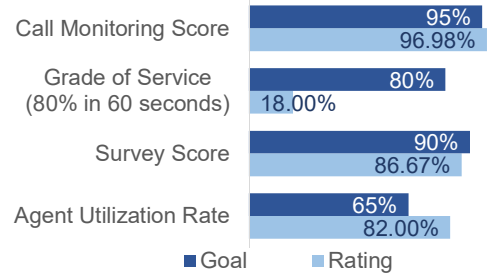
Member Services Calls
14,541

14,048 3 Mo. Avg.

Key Performance Indicator (Overall Performance)



Key Performance Indicator (Components)



Member Services



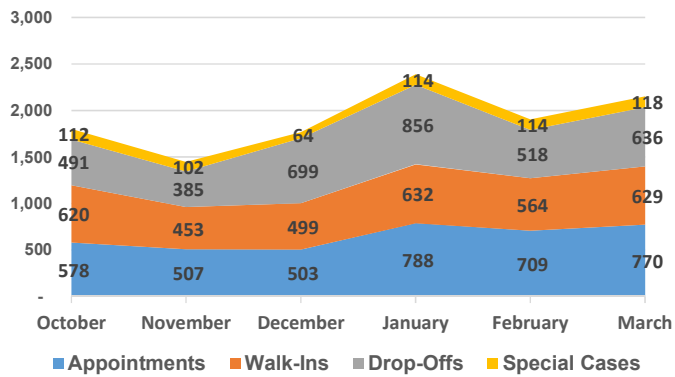
Top Calls

1. Workshop Info./Appointments: Inquiry
2. Retirement Counseling: Process Overview
3. Benefit Payments: Gen. Inquiry/Payday Info

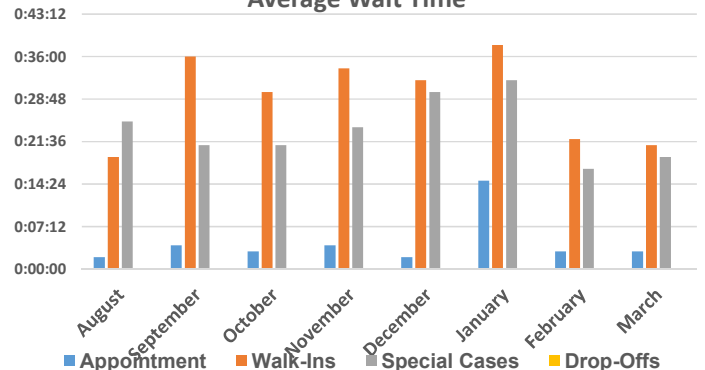


472 Emails
5:16 hours
Avg. Response Time (ART)

Member Service Center Visits



Member Service Center Average Wait Time

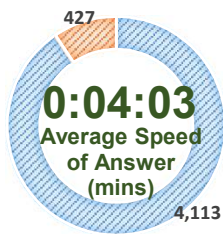


*Drop Off Wait Time: No Waiting



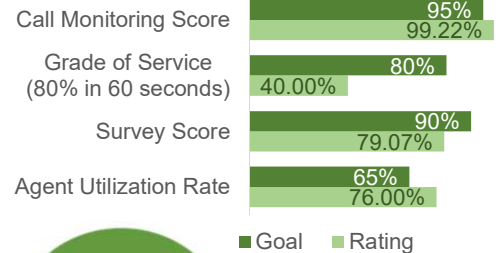
Total RHC Calls: **4,540**

Retiree Healthcare



Top Calls

1. Med. Benefits - General Inquiries (RHC)
2. Medical-New Enrollment/Change/Cancel
3. General Inquiries (RHC)



250 Emails
1 day
Avg. Response Time (ART)

Striving for Excellence in Service (Continued)

Applications

517

On Hand

- 69 Received
- 380 Year-to-Date
- 0 Re-opened
- 0 Year-to-Date
- 51 To Board - Initial
- 402 Year-to-Date
- 3 Closed
- 24 Year-to-Date
- 532 In Process
- 532 Year-to-Date

Appeals

99

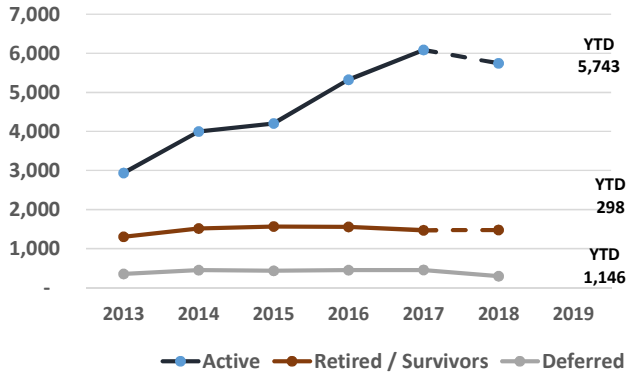
On Hand

- 4 Received
- 21 Year-to-Date
- 3 Admin Closed/Rule 32
- 14 Year-to-Date
- 0 Referee Recommended
- 9 Year-to-Date
- 0 Revised/Reconsidered for Granting
- 4 Year-to-Date
- 100 In Process
- 99 Year-to-Date

Disability

My LACERA Registrations

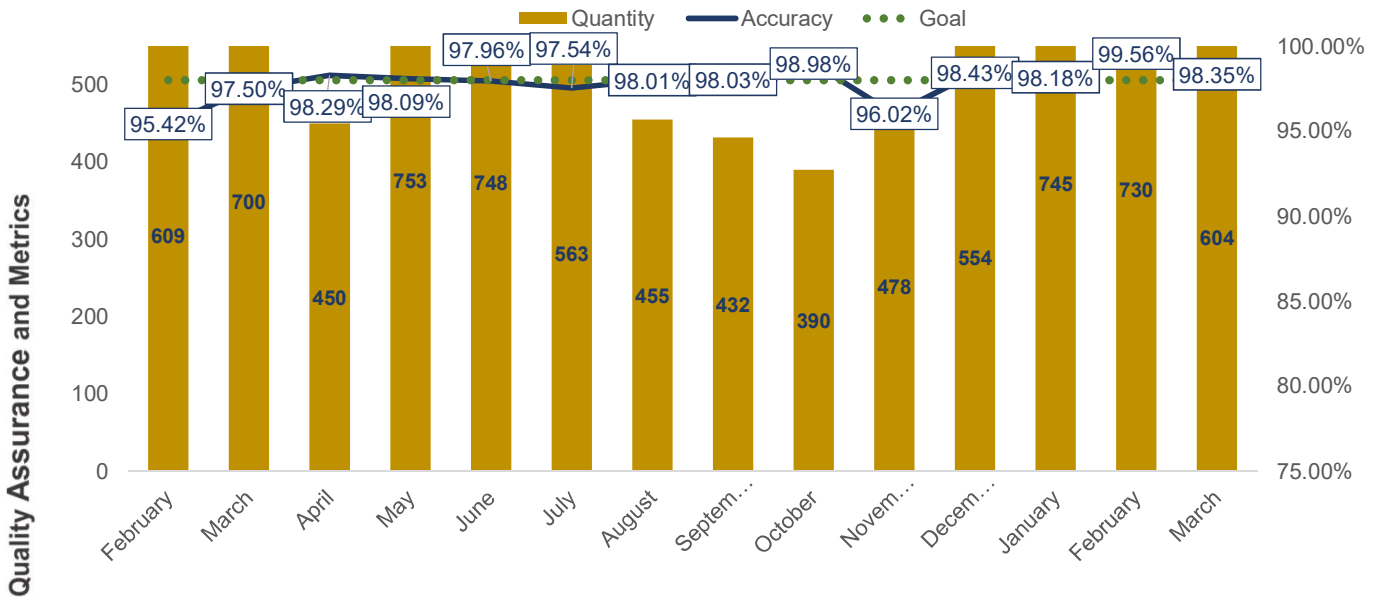
My LACERA



MORE COMING SOON!

Striving for Excellence in Quality

Audits of Retirement Elections, Payment Contracts, and Data Entry



March 2019



98.35%

Retirement Elections

344 Samples
97.41% Accuracy

Payment Contracts

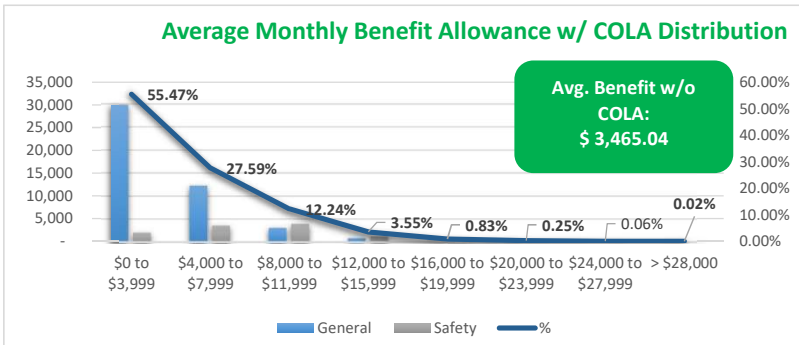
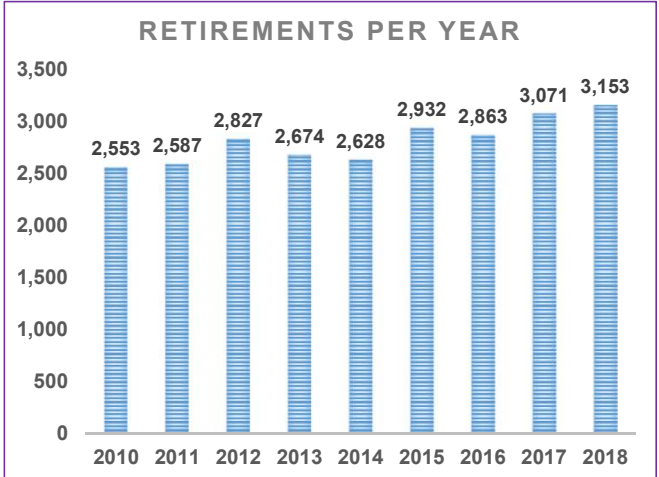
87 Samples
98.03% Accuracy

Data Entry

90 Samples
99.61% Accuracy

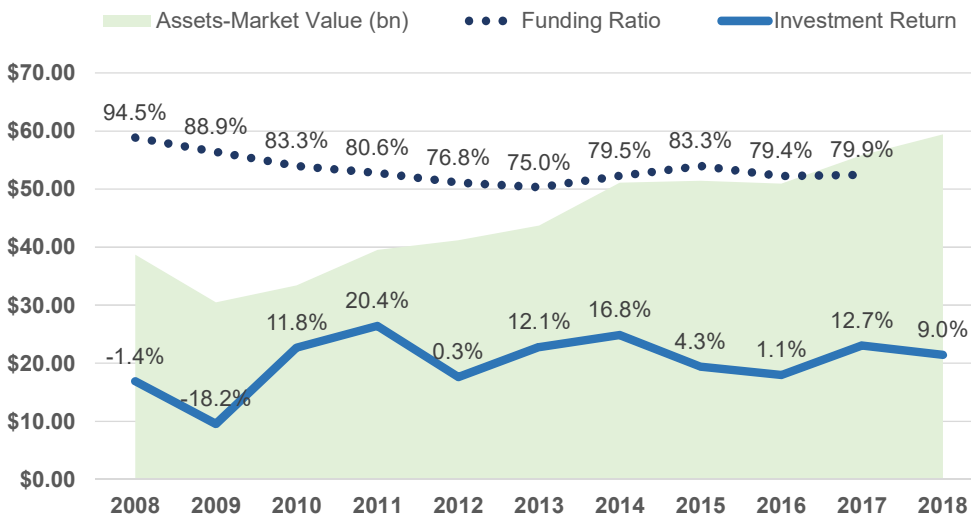
Member Snapshot

		Members as of 04/12/19				
		Plan	Active	Retired	Survivors	Total
General	Plan A		115	16,999	4,454	21,568
	Plan B		40	681	67	788
	Plan C		47	426	67	540
	Plan D		42,417	15,044	1,390	58,851
	Plan E		17,731	12,805	1,166	31,702
	Plan G		26,174	21	1	26,196
	Total General			86,524	45,976	7,145
Safety	Plan A		5	5,316	1,586	6,907
	Plan B		9,984	5,644	280	15,908
	Plan C		2,928	8	0	2,936
	Total Safety			12,917	10,968	1,866
TOTAL MEMBERS			99,441	56,944	9,011	165,396
% by Category			60%	34%	5%	100%



Healthcare Program (YTD)		Healthcare Enrollments (Monthly)	
	Employer	Member	
Medical	\$383.3m	\$32.1m	Medical 50,373
Dental	\$32.8m	\$3.3m	Dental 51,604
Part B	\$47.2m	xxxx	Part B 33,968
Total	\$463.2m	\$35.4m	Total LTC 646
			Total 136,591

Key Financial Metrics



Funding Metrics (as of 6/30/18)

Employer NC	9.92%
UAAL	10.99%
Assumed Rate	7.25%
Star Reserve	\$614m
Total Assets	\$56.3b

Contributions (as of 6/30/18)

	Employer	Member
Annual Add	\$1,524.8m	\$591.3m
% of Payroll	20.91%	6.88%

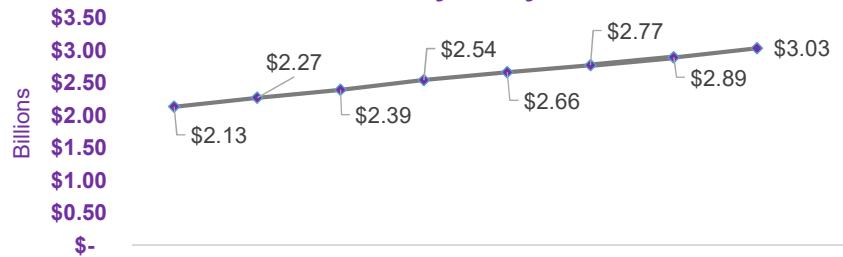
TOTAL FUND RETURN (Net of Fees)

5 YR: 8.5% 10 YR: 6.3%

Retired Members Payroll

Monthly Payroll	\$285.3m
Payroll YTD	2.5b
New Retired Payees Added	356
Seamless %	99.44%
New Seamless Payees Added	2,787
Seamless YTD	98.35%
By Check %	4.00%
By Direct Deposit %	96.00%

Retiree Payroll by Year



Date	Conference
June, 2019	
10-14 (Date change)	Investment Strategies & Portfolio Management (prev. Pension Fund & Investment Mgmt.) Wharton School, University of Pennsylvania
7	CALAPRS (California Association of Public Retirement Systems) Round Table – Trustees Marriott Burbank Airport
7	CALAPRS (California Association of Public Retirement Systems) Round Table – Benefits Marriott Burbank Airport
17-18	NACD Advanced Director Professionalism Program Chicago, IL
19-20	PREA (Pension Real Estate Association) Institute 2019 York University – Schulich School of Business Toronto, Ontario, Canada
19-21	AHIP (America’s Health Insurance Plans) Institute Nashville, TN
24-25	Global Investors Annual Meeting New York, NY
24-25	KKR’s 2019 Americas Investors’ Meeting Palos Verdes, CA
24-26	IFEBC Public Employee Benefits Institute San Francisco, CA
24-26 (Date change)	National Association of Securities Professionals (NASP) 30 th Annual Pension & Financial Services Conference Baltimore, MD
24-26	SuperReturn Emerging Managers Markets Conference Amsterdam, Netherlands
26-27	AVCJ Private Equity & Venture Forum Tokyo, Japan
July, 2019	
10-12	Pacific Pension Institute (PPI) North American Summer Roundtable Chicago, IL
15-17	2019 Fortune Brainstorm Tech Conference Aspen, CO
August, 2019	
26-29	CALAPRS (California Association of Public Retirement Systems) Principles of Pension Management for Trustees Pepperdine University



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

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



April 19, 2019

TO: Each Member
Board of Retirement

FROM: Tamara Caldwell, Acting Manager 
Disability Retirement Services Division

FOR: May 1, 2019 Board of Retirement Meeting

SUBJECT: DISMISS WITH PREJUDICE THE APPEAL OF LAUREN J. HOYT

Ms. Lauren J. Hoyt applied for a service-connected disability retirement on May 8, 2017. On September 5, 2018, the Board denied Ms. Hoyt's application for service-connected disability retirement and granted her a non-service connected disability retirement.

Ms. Hoyt's attorney filed a timely appeal. On March 19, 2019, the applicant's attorney advised LACERA that his client did not wish to proceed with her appeal.

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD:


Dismiss with prejudice Lauren J. Hoyt's appeal for a service-connected disability retirement.

FJB: TLC: mb

Hoyt, Lauren J.docx

Attachment

NOTED AND REVIEWED:


Francis J. Boyd, Sr. Staff Counsel

Date: 4/19/19



March 29, 2019

TO: Each Member
Board of Retirement

FOR: Board of Retirement Meeting of April 11, 2019

SUBJECT: 2019 Cyber Fraud Summit
San Francisco, California on May 2-3, 2019

The International Association of Financial Crimes Investigators (IAFCI) is hosting the 2019 Cyber Fraud Summit on May 2-3, 2019 at LinkedIn in San Francisco, California. The Summit brings together industry, government and academic interests in an effort to improve that state of cyber fraud on both domestic and international level.

The main conference highlights include the following:

- Payment Fraud Disruption
- Computer Forensic Trends
- Vulnerabilities of Wireless Networks
- Law Enforcement Engagement for Blockchain Companies

The conference meets LACERA's policy of an average of five (5) hours of substantive educational content. The standard hotel rate at surrounding hotels range from \$300-\$375.00 per night plus applicable taxes and the registration fee to attend is \$250.00 for non-members.

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

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD:

Approve attendance of Board members at The Cyber Fraud Summit on May 2-3, 2019 in San Francisco, California and approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy.

BN
Attachment

2019 CYBER FRAUD SUMMIT – MAY 2 & 3, 2019 IN SAN FRANCISCO, CA

AGENDA

Thursday May 2, 2019

8:00am – 8:30am **Registration**

8:30am - 9:00am **Welcome and Opening Remarks**

IAFCI Cyber Fraud Industry Group

Sam Guttman, IAFCI Chairman of the Executive Board

Paul Rockwell, Head of Trust and Safety, LinkedIn

Paul Jabaay, Global Investigations, Coinbase

Stephen Basak, USFIS, President, IAFCI San Francisco Chapter

9:00am - 9:30am **Keynote Presentation**

Brian Brooks, Chief Legal Officer, Coinbase

9:30am – 10:45am **Human Trafficking | Blockchain Panel Discussion**

THORN (Representative TBA)

TRAC (Representative TBA)

Brian Ulicny, VP, Thomson Reuters Labs, Americas

10:45am - 11:00am **Break**

11:00am – 12:30pm **Blockchain Analytics Panel**

Paul Jabaay, Global Investigations, Coinbase

Dave Jevans, Co-Founder, CipherTrace

Esteban Castaño, Co-Founder & CEO, TRM

12:30pm - 1:30pm **Lunch - Provided**

1:30pm - 3:00pm **AML Considerations for Blockchain**

Joshua Berlin, SVP, Custody & Information Systems, SALT

Esteban Castaño, Co-Founder & CEO, TRM

Jeff Kern, Chief Compliance Officer, BitFlyer

Kiran Raj, Chief Strategy Officer, Bittrex

3:00pm - 3:20pm **Break**

3:20pm - 4:50pm **Law Enforcement Engagement for Blockchain Companies**

Dan Curtin, Global Investigations, Coinbase

John Bridge, FCS Director, TrustStamp

Kiran Raj, Chief Strategy Officer, Bittrex

Josh Berlin, SVP Custody and Information Systems, SALT

Jason Weinstein, Blockchain Alliance

2019 CYBER FRAUD SUMMIT – MAY 2 & 3, 2019 IN SAN FRANCISCO, CA

4:50pm - 5:00pm Day 1 Closing Comments
Certified Cyber Crimes Investigator IAFCI Membership Benefits / Current Promotions

6:30pm – 8:30pm Networking Event
Sponsored by Coinbase – Location TBA

Friday May 3, 2019

8:00am – 8:30am Registration
Continental Breakfast Provided

8:30am– 10:00am Keynote Presentation | Locating Targets on the Dark Net - Live Demo
Kirby Plessas, President, Plessas Experts Network

10:00am-10:50am Vulnerabilities of Wireless Networks
Vince Costagliola, VP Wireless Technologies, SRT Wireless

10:50am–11:00am Break

11:00am – 12:00pm Computer Forensic Trends
Chris Novak, Global Director, Threat Research Advisory Center, Verizon Enterprise Solutions

12:00pm – 1:00pm Hosted Lunch

1:00pm – 2:00pm Social Media Fraud and Rumor Detection
Brian Ulicny, VP, Thomson Reuters Labs, Americas

2:00pm – 2:50pm Payment Fraud Disruption
Tia Ilori, Senior Director, Global Fraud & Breach Investigations, Visa

2:50pm – 3:10pm Break

3:10pm – 4:00pm Silo the Fraudsters, Not Your Fraud Team
Megan Brady, Fraud Investigator, Square
Eric Nistad, Fraud Investigator, Square

4:00pm – 4:15pm Closing Remarks
IAFCI Cyber Fraud Industry Group

April 19, 2019

TO: Each Member
Board of Retirement

FROM: Insurance, Benefits and Legislative Committee
Les Robbins, Chair
Shawn R. Kehoe, Vice Chair
Vivian H. Gray
Ronald A. Okum
J.P. Harris, Alternate

FOR: May 1, 2019 Board of Retirement Meeting

SUBJECT: **Federal Engagement: Visit with Congress**

RECOMMENDATION

That the Board of Retirement:

1. Approve a visit with Congress by Board members and staff as designated by the Chair of the Board of Retirement during the week of May 20, 2019 in Washington, D.C.; and
2. Approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy.

LEGAL AUTHORITY

The Board of Retirement's Policy on Engagement for Public Policy Issues Relating to Plan Administration and Retirement and Health Care Benefits provides for engagement to promote LACERA's presence and visibility with the legislative, executive, and judicial branches of state and federal governments.

DISCUSSION

The California Delegation consisting of 53 representatives and 2 senators is the largest in Congress. Board members and staff have engaged with members of Congress and their staff on previous visits to Washington, D.C. in May 2018 and January 2019. The visit is a continuing effort of engagement to foster relationships with members of Congress by increasing LACERA's presence and visibility among the members and providing education and information about LACERA's history, organization, and operations. It will be an opportunity to continue expanding outreach to other members of the California Delegation. This year, House and Senate bills on the repeal of Social Security's Windfall Elimination Provision and the Government Pension Offset have been

introduced¹. The visits will also be an opportunity to continue to engage with Congress on this issue that the Board of Retirement has traditionally supported and that adversely affects LACERA members who have earned Social Security benefits.

The International Foundation of Employee Benefit Plans (IFEBP) will be holding its annual Washington Legislative Update on May 20-21, 2019 in Washington, D.C. LACERA's federal legislative advocate, Anthony J. Roda of Williams & Jensen, may be able to schedule Congressional meetings on May 22-23 following the IFEBP Washington Legislative Update. The visit to Congress would ideally be available to those Board members and staff who are already in Washington, D.C., for the pre-approved IFEBP conference to visit with Congress afterwards; tacking on the visits immediately after the IFEBP conference is an efficient way to save on air travel costs that would otherwise be incurred if the visits were scheduled on a separate occasion. However, the Board Chair may also designate those Board members and staff who are not attending the conference to make the visit as well.

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD:

1. Approve a visit with Congress by Board members and staff as designated by the Chair of the Board of Retirement during the week of May 20, 2019 in Washington, D.C.; and
2. Approve reimbursement of all travel costs incurred in accordance with LACERA's Education and Travel Policy.

cc: Lou Lazatin
John Popowich
Steven P. Rice
Cassandra Smith
Anthony J. Roda, Williams & Jensen
Shane Doucet, Doucet Consulting Solutions

¹ At its meeting on March 14, 2019, the Insurance, Benefits and Legislative Committee recommended that the Board of Retirement adopt a "Support" position on H.R. 141 (Davis) and S. 521 (Brown). The Board of Retirement adopted a "Support" position on these bills at its meeting of April 11, 2019.

April 19, 2019

TO: Each Member
Board of Retirement

FROM: Insurance, Benefits and Legislative Committee
Les Robbins, Chair
Shawn R. Kehoe, Vice Chair
Vivian H. Gray
Ronald A. Okum
J.P. Harris, Alternate

FOR: May 1, 2019 Board of Retirement Meeting

SUBJECT: **Assembly Bill 287—Annual Audits**

Author: Voepel [R]
Sponsor: Author-sponsored
Introduced: January 28, 2019
Status: Referred to ASSEMBLY Committee on PUBLIC
EMPLOYMENT AND RETIREMENT (02/07/2019)

IBLC Recommendation: Support (04/11/2019)
Staff Recommendation: Neutral

RECOMMENDATION

That the Board of Retirement adopt a “Support” position on Assembly Bill 287, which relates to the annual audits of state and local retirement systems.

LEGISLATIVE POLICY STANDARD

The Board of Retirement’s legislative policy standard is to support proposals that enable more efficient and effective service to members and stakeholders (Legislative Policy, page 5). AB 287 would enable concise annual reports to be more accessible to members and stakeholders of LACERA and of other state and local public retirement systems by requiring the systems to post their reports on their websites.

SUMMARY

AB 287 would require that a state and local public retirement system post on its website a concise annual report no later than the 90th day following the completion of the annual audit.

ANALYSIS

Existing Law

State and local public retirement systems are required to prepare an annual report in accordance with generally accepted accounting principles. The systems are required to secure the services of a qualified person to perform an attest audit of the system's financial statements. On and after the 90th day following the completion of the annual audit, state and local retirement systems are required to mail, or otherwise provide to any member who requests and pays any required fees, a concise annual report on the investments and earnings of the system and other related matters.

This Bill

In addition to providing a copy of the concise annual report as specified under existing law, AB 287 would further require that each state and local public retirement system post on its website a concise annual report on the system's investments and earnings and other related matters no later than the 90th day following the completion of the annual audit.

LACERA's Current Practice

LACERA's external auditor is required by contract to issue its Independent Auditor's Report on LACERA's financial statements by October 15 of each year as it completes its annual audit. The Independent Auditor's Report is included in LACERA's Comprehensive Annual Financial Report (CAFR). LACERA's Popular Annual Financial Report (PAFR) is a concise version of its CAFR. The PAFR contains information on LACERA's asset allocation policy, annual returns, fiduciary net position with additions and deductions, funded status, membership count, cost-of-living adjustments, annual budget, and financial information related to the Other Post-Employment Benefits Trust.

AB 287 would require that LACERA post the PAFR on LACERA's website no later than the 90th day following the completion of the annual audit and would set January 13 of the following year (assuming the audit is completed by October 15) as the deadline to comply with its requirement. LACERA's current practice is to mail the PAFR to members and publish it on lacera.com generally by the middle of December. Although LACERA's current practice is already in compliance with AB 287's proposed requirements, AB 287 would enable the concise annual reports of not just LACERA but of all state and local retirement systems to be more accessible to their members and stakeholders by requiring their reports to be posted on their websites.

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD adopt a "Support" position on Assembly Bill 287, which relates to the annual audits of state and local retirement systems.

AB 287
Board of Retirement
April 19, 2019
Page 3

Attachments

Attachment 1—Board Positions Adopted on Related Legislation

Attachment 2—Support and Opposition

AB 287 (Voepel) as introduced on January 28, 2019

cc: Lou Lazatin
JJ Popowich
Steven P. Rice
Beulah Auten
Cynthia Martinez
Ted Granger
Joe Ackler, Ackler & Associates

BOARD POSITIONS ADOPTED ON RELATED LEGISLATION

AB 1844 (Chapter 369, Statutes of 2008) implemented various recommendations made by the Governor’s Public Employee Post-Employment Benefits Commission. Among other provisions, the bill made it a crime to make fraudulent claims on retirement or disability benefits and required the State Controller to publish an annual report within 12 months of receiving the financial and actuarial reports provided by state and local retirement systems. The Board of Retirement adopted a “Watch” position.

AB 287
Attachment 2—Support and Opposition
Board of Retirement
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SUPPORT

Unknown

OPPOSITION

Unknown

(Note: The legislative policy committee that has subject-matter jurisdiction over AB 287 has not released a bill analysis listing officially registered support or opposition by interested parties.)

ASSEMBLY BILL

No. 287

Introduced by Assembly Member Voepel

January 28, 2019

An act to amend Section 7512 of the Government Code, relating to public employees' retirement.

LEGISLATIVE COUNSEL'S DIGEST

AB 287, as introduced, Voepel. Public employees' retirement: annual audits.

Existing law creates state and local public pension and retirement systems that provide pension benefits based on age at retirement, service credit, and final compensation. Existing law requires each state and local public pension or retirement system, on and after the 90th day following the completion of the annual audit of the system, to provide a concise annual report on the investments and earnings of the system, as specified, to any member who makes a request and pays a fee, if required, for the costs incurred in preparation and dissemination of that report.

This bill would also require each state and local pension or retirement system to post a concise annual audit of the information described above on that system's internet website no later than the 90th day following the audit's completion. By imposing new duties on local retirement systems, the bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state,

reimbursement for those costs shall be made pursuant to the statutory provisions noted above.

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

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

1 SECTION 1. Section 7512 of the Government Code is amended
2 to read:

3 7512. (a) (1) Each state and local public pension or retirement
4 system shall, on and after the 90th day following the completion
5 of the annual audit of the system, mail or otherwise provide to any
6 member who makes a request therefor and pays, if required, a fee,
7 a concise annual report on the investments and earnings of the
8 system and other related matters. The report shall be published in
9 a low-cost format.

10 ~~Each~~

11 (2) *Each* local public pension or retirement system may impose
12 a fee for each copy of the report in an amount sufficient to pay all
13 costs incurred in the preparation and dissemination of the report.

14 (b) *In addition to complying with subdivision (a), each state
15 and local public pension or retirement system shall, no later than
16 the 90th day following the completion of the annual audit of the
17 system, post on its internet website a concise annual report on the
18 investments and earnings of the system and other related matters.*

19 SEC. 2. If the Commission on State Mandates determines that
20 this act contains costs mandated by the state, reimbursement to
21 local agencies and school districts for those costs shall be made
22 pursuant to Part 7 (commencing with Section 17500) of Division
23 4 of Title 2 of the Government Code.

April 19, 2019

TO: Each Member
Board of Retirement

FROM: Insurance, Benefits and Legislative Committee
Les Robbins, Chair
Shawn R. Kehoe, Vice Chair
Vivian H. Gray
Ronald A. Okum
J.P. Harris, Alternate

FOR: May 1, 2019 Board of Retirement Meeting

SUBJECT: **Assembly Bill 664—Disability Retirement and Peace Officers**

Author: Cooper [D]
Sponsor: Sacramento County Law Enforcement Managers Association
Introduced: February 15, 2019
Amended: March 13, 2019
Status: In ASSEMBLY Committee on LABOR, PUBLIC EMPLOYMENT AND RETIREMENT: Not heard (04/03/2019)

IBLC Recommendation: Support (04/11/2019)
Staff Recommendation: Watch

RECOMMENDATION

That the Board of Retirement adopt a “Support” position on Assembly Bill 664, which relates to disability retirement and peace officers.

LEGISLATIVE POLICY STANDARD

The Board of Retirement’s legislative policy standard is to support proposals that provide clarification, technical updates, or conforming changes to the County Employees Retirement Law of 1937 (CERL) (Legislative Policy, page 6). Although AB 664 would not apply to LACERA and would only apply to the County of Sacramento, the bill would establish a 5-year pilot program that would clarify and provide a consistent standard upon which permanent incapacity is determined.

SUMMARY

AB 664 would require that any member who is employed as a peace officer under Section 830 of the Penal Code shall be evaluated under a retirement system’s existing procedures to determine if he or she can perform all of the usual and customary duties of a peace officer. The evaluation would be based on the standards for peace officers

as specified in Section 1031 of the Government Code. The bill, which only applies in the County of Sacramento, would also require the Board of Retirement of the Sacramento County Employees' Retirement System to track the costs of providing disability retirement to members retired under these provisions.

ANALYSIS

Existing Law

Section 31720 of the Government Code currently provides that a member shall be retired for disability regardless of age if the member is permanently incapacitated for the performance of duty. The member is eligible for nonservice-connected disability retirement if the member has at least five years of service. The member is eligible for service-connected disability retirement if the member's incapacity is the result of injury or disease arising out of and in the course of the member's employment, and such employment contributes substantially to the incapacity.

In general, permanent incapacity for the performance of duty is determined by the inability of the member to substantially perform his or her usual duties. The definition of the term "incapacitated for the performance of duty" in *Mansperger v. Public Employees' Retirement System* (1970) 6 Cal.App.3d 873 was defined as the inability of the member to substantially perform his or her usual duties. The definition of incapacity under *Mansperger* has been applied to disability cases under CERL. (See *Harmon v. Board of Retirement of San Mateo County* (1976) 62 Cal.App.3d 689 and *Schrier v. San Mateo County Employees' Retirement Association* (1983) 142 Cal.App.3d 957.)

This Bill

As amended on March 13, 2019, AB 664 would require that any member who is employed as a peace officer under Section 830 of the Penal Code shall be evaluated under a retirement system's existing procedures to determine if he or she can perform all of the usual and customary duties of a peace officer. The evaluation would be based on the standards for peace officers as specified in Section 1031 of the Government Code.

The standard that is most germane to the determination of disability retirement is specified in Section 1031(f), which provides that peace officers "be found to be free from any physical, emotional, or mental condition that might adversely affect the exercise of the powers of a peace officer." The section further provides that physical condition shall be evaluated by a licensed physician and surgeon; emotional and mental condition shall be evaluated by a physician and surgeon or a psychologist, who meets certain requirements prescribed by Section 1031(f).

AB 664 is similar to AB 283 (Cooper) that was introduced in 2017 but died in committee. At that time, the author noted that there was an inconsistency among the CERL retirement systems in the consideration of disability retirement applications from peace

officers in management positions. Some systems denied the application for disability retirement if the usual duties of the member did not require the physical demands that were found in the standards of being a peace officer. Other systems granted disability retirement since regardless of the member's usual duties, he or she was required to meet the standards of a peace officer and be ready to respond to the physical demands of the job, such as being able to respond to emergencies and to effect arrests but was unable to. As with AB 283, AB 664 seeks to resolve this inconsistency by requiring that the determination of permanent incapacity would be based on the standards specified in Section 1031.

The standard under Section 1031 to determine permanent incapacity may be a broader standard than that which is currently used. As noted in the memorandum dated March 15, 2017 to Board of Retirement, AB 283 would have possibly had the effect of increasing the number of disability retirements granted to peace officers under the application of the new standard as well as a similar effect in increasing the number of appeals for disability retirement applications that were previously denied. Such increases may also result in increased costs to a retirement system. Consequently, AB 664 would further provide that the Board of Retirement of the Sacramento County Employees' Retirement Systems develop a method of tracking the costs of providing permanent disability retirement to members who retired under the provisions of AB 664, which would remain in effect until December 31, 2024.

Although AB 664 would not apply to LACERA and would only apply to the County of Sacramento, the bill would establish a 5-year pilot program that would clarify and provide a consistent standard upon which permanent incapacity is determined. The results of the pilot program may provide the information necessary for increased policy literacy and understanding of the determination and costs of disability retirement.

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD adopt a "Support" position on Assembly Bill 664, which relates to disability retirement and peace officers.

Attachments

Attachment 1—Board Positions Adopted on Related Legislation

Attachment 2—Support and Opposition

AB 664 (Cooper) as amended on March 13, 2019

cc: Lou Lazatin Vincent Lim Joe Ackler, Ackler & Associates
JJ Popowich Ricki Contreras
Steven P. Rice Frank Boyd

BOARD POSITIONS ADOPTED ON RELATED LEGISLATION

AB 283 (2017, died in committee) required any members employed as peace officers, for purposes of disability retirement, to be evaluated under a retirement system's existing procedures to determine if he or she can perform all of the usual and customary duties of a peace officer based upon the standards for peace officers in Government Code Section 1031. The Board of Retirement adopted a "Neutral" position.

AB 1692 (Chapter 123, Statutes of 2016) applied the terms and conditions of disability retirement in Tier Three to nonsafety members of the Contra Costa Employees' Retirement Association who are subject to the California Public Employees' Pension Reform Act of 2013 and for whom the Board of Supervisors of Contra Costa County is the governing body. The Board of Retirement adopted a "Watch" position.

AB 992 (Chapter 40, Statutes of 2015) clarified that a member who retired for service pursuant to Government Code Section 31725.7 and is later granted a disability retirement may change the retirement option that he or she elected at the time the service retirement was granted. The Board of Retirement adopted a "Support" position.

AB 1902 (Chapter 86, Statutes of 2010) enabled Plan D members who transferred prospectively from Plan E but do not meet the requirements for disability retirement to transfer back to Plan E and continue to be eligible for long-term disability benefits from the County of Los Angeles. The Board of Retirement adopted a "Support" position.

AB 1739 (Chapter 83, Statutes of 2010) required that a member who becomes permanently incapacitated for the performance of duty as a direct result of injury or disease arising out of, and in the course of, active military service while on military leave, to be retired for nonservice-connected disability regardless of age or years of service. The section becomes operative upon adoption of a resolution by majority vote by the board of supervisors of Los Angeles County. The Board of Retirement adopted a "Watch" position.

AB 538 (Chapter 190, Statutes of 2009) provided a safety member who was on a disability leave of absence the opportunity to receive a physician certification upon his or her return to service that the member was capable of performing his or her assigned duties and consequently not subject to mandatory retirement prior to receiving that opportunity. The Board of Retirement adopted a "Watch" position.

AB 664
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SUPPORT

None

OPPOSITION

None

AMENDED IN ASSEMBLY MARCH 13, 2019

CALIFORNIA LEGISLATURE—2019–20 REGULAR SESSION

ASSEMBLY BILL

No. 664

Introduced by Assembly Member Cooper

February 15, 2019

An act to ~~amend Section 31720 of~~ *add and repeal Section 31720.2* of the Government Code, relating to county employees' retirement.

LEGISLATIVE COUNSEL'S DIGEST

AB 664, as amended, Cooper. County employees' retirement: permanent incapacity.

The County Employees Retirement Law of 1937 provides that a member who is permanently incapacitated shall be retired for disability despite age if, among other conditions, the member's incapacity is a result of injury or disease arising out of and in the course of the member's employment, and that employment contributes substantially to that incapacity or the member has completed 5 years of service and not waived retirement in respect to the particular incapacity or aggravation thereof, as specified.

This bill would require, for purposes of determining permanent incapacity of certain members employed as peace-officers, *officers in the County of Sacramento*, that those members be evaluated by the retirement system to determine if they can perform all of the usual and customary duties of a peace officer, as specified. The bill would apply to members who file applications for disability on or after the effective date of the act, except for cases on appeal at that time. The bill ~~also would make nonsubstantive changes to that provision.~~ *would require the board of retirement to develop a method of tracking the costs of providing permanent disability retirement to the members who become*

eligible for disability retirement pursuant to the bill’s provisions. The bill would repeal these provisions on December 31, 2024.

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

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

1 SECTION 1. Section 31720.2 is added to the Government Code,
2 to read:

3 31720.2. (a) Notwithstanding subdivision (b) of Section 31720,
4 in determining permanent incapacity for a member who is
5 employed in a position classified as a peace officer under Section
6 830 of the Penal Code, the member, based on the standards
7 specified in Section 1031, shall be evaluated by the existing
8 procedure established by the retirement system to determine if that
9 member can perform all of the usual and customary duties of a
10 peace officer who is described under Section 830 of the Penal
11 Code.

12 (b) This section shall apply to a member who files an application
13 for disability retirement on or after the effective date of this section,
14 and shall not apply to an appeal brought before that date.

15 (c) This section shall only apply in the County of Sacramento.

16 (d) The board shall develop a method of tracking the costs of
17 providing permanent disability retirement to the members who
18 become eligible for disability retirement under this section.

19 (e) This section shall remain in effect only until December 31,
20 2024, and as of that date is repealed.

21 ~~SECTION 1. Section 31720 of the Government Code is~~
22 ~~amended to read:~~

23 ~~31720. (a) Any member permanently incapacitated for the~~
24 ~~performance of duty shall be retired for disability regardless of~~
25 ~~age if, and only if:~~

26 ~~(1) The member’s incapacity is a result of injury or disease~~
27 ~~arising out of and in the course of the member’s employment, and~~
28 ~~that employment contributes substantially to that incapacity, or~~

29 ~~(2) The member has completed five years of service, and~~

30 ~~(3) The member has not waived retirement in respect to the~~
31 ~~particular incapacity or aggravation thereof as provided by Section~~
32 ~~31009.~~

1 ~~(b) For any member who is employed in a position classified~~
2 ~~as a peace officer under Section 830 of the Penal Code, in~~
3 ~~determining permanent incapacity pursuant to subdivision (a), the~~
4 ~~member, based on the standards specified in Section 1031, shall~~
5 ~~be evaluated by the existing procedure established by the retirement~~
6 ~~system, to determine if that member can perform all of the usual~~
7 ~~and customary duties of a peace officer who is described under~~
8 ~~Section 830 of the Penal Code.~~

9 ~~(c) The amendments to this section enacted during the 1979-80~~
10 ~~Regular Session of the Legislature shall apply to all applicants for~~
11 ~~disability retirement on or after the effective date of those~~
12 ~~amendments.~~

13 ~~(d) The amendments to this section enacted during the 2019-20~~
14 ~~Regular Session of the Legislature shall apply to any member who~~
15 ~~files an application for disability retirement on or after the effective~~
16 ~~date of the amendments, except that the amendments shall not~~
17 ~~apply to an appeal brought before the effective date of these~~
18 ~~amendments.~~

April 17, 2019

TO: Each Member,
Board of Retirement
Board of Investments

FROM: Joint Organizational Governance Committee

FOR: May 1, 2019 Board of Retirement Meeting
May 15, 2019 Board of Investments Meeting

SUBJECT: Revised JOGC Charter

RECOMMENDATION

That the revised Joint Organizational Governance Committee (JOGC) Charter be approved by the Board of Retirement and the Board of Investments.

LEGAL AUTHORITY

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

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

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

BACKGROUND

The JOGC was originally formed, and its Charter approved, by the Boards at a joint meeting on August 10, 2017. The JOGC was disbanded on January 30, 2018 by vote of the Board of Retirement. The JOGC was reestablished by both Boards at a joint meeting on January 17, 2019, with the Boards directing that the JOGC review the Charter and

return with any recommendation within 90 days.

The 90-day period expired at the April 2019 Board meetings. However, at the Board of Investments meeting on April 10, 2019, and the Board of Retirement meeting on April 11, 2019, the Boards voted to extend the review period by 30 and 60 days, respectively. The current recommendation is presented at the first meeting of each Board following the April meetings, and is therefore timely under both Boards' April scheduling actions.

DISCUSSION

At the February 13, 2019 JOGC meeting, the members engaged in lengthy and detailed section-by-section discussion of the existing JOGC Charter and provided a great deal of input to staff. Staff was directed to return with a revised draft Charter. Staff returned at the March 14, 2019 JOGC meeting with a revised charter, but, due to other business at the March meeting, the item was held over to the April 10, 2019 JOGC meeting. At the April meeting, the JOGC voted unanimously by all members present to recommend the revised Charter to both Boards. (Messrs. Bernstein, Green, Kehoe, Okum, and Robbins, and Ms. Gray voted yes; Messrs. Kelly and Muir were absent.) The revised Charter is attached as Exhibit A.

The revised Charter is based on extensive comments from the JOGC. The revised Charter also incorporates input from several affected divisions, including the Executive Office, Administrative Services, Financial and Accounting Services, and Legal. The revised Charter is not redlined from the current version because, given the extent of the changes, including a great deal of new language and reorganization of large portions of the Charter, a redline would not be a useful tool. However, the original Charter is attached as Exhibit B for comparison.

The revisions are summarized below:

Section 1 – Overview of the LACERA Board of Retirement and the Board of Investments. This section is revised to (a) be less legalistic by removing references to specific Government Code sections, (b) provide a more plain English statement of the Boards' responsibilities, (c) add a reference to the Boards' plenary authority under the California Constitution, and (d) update the responsibilities of the Boards with respect to the OPEB Program, which were not fully addressed in the original Charter. The effect of these changes is a shorter but more complete and readable summary of the Boards and their responsibilities.

Section 2 – Purpose of this Charter. An ambiguous and nonsubstantive bullet regarding the "terms of reference" for the JOGC is removed. This issue is addressed in

other sections of the Charter.

Section 3 – Purpose of the JOGC. A duplicative bullet already covered elsewhere later in the charter regarding the JOGC's role in dispute resolution is deleted.

Section 4 – Scope. This section is revised and reorganized to track, in order, the nine responsibilities of the JOGC discussed in Section 7.

Section 5 – Powers Reserved for the BOR and BOI. This section is revised to accurately and succinctly state the responsibilities of the BOR and BOI with regard to the pension fund and the OPEB Program.

Section 6 – Authority. This section is unchanged, except that the chart showing the overlap in the BOR and BOI is revised to more accurately refer to it as a Venn diagram.

Section 7 – Responsibilities. This section is extensively revised to logically reorder the JOGC's areas of responsibility and to restate the responsibilities to provide a more useful guide than in the original Charter.

Section 7.1 – Organizational Philosophy (part of Section 7.8 in the original Charter). This responsibility is restated to refer to LACERA's Mission, Vision, and Values. References to strategic planning and engagement are removed and relocated to separate sections covering these areas.

Section 7.2 – Strategic Planning and Budgeting (Sections 7.3, 7.4, 7.6, and part of 7.8 in the original Charter). The previously fragmented presentation of responsibilities in these areas are reorganized and restated in a single provision presenting a unified approach the JOGC's role in strategic planning and budgeting over the three-year planning cycle as well as the annual budgets. Among other changes, new Section 7.3 includes an update in the JOGC's role with respect to staff classifications and compensation to clarify the JOGC will address (a) new items and salary range changes as well as collective bargaining agreements, all of which require action by the LACERA Boards and approval by the Board of Supervisors to incorporate the action in the County Code as required by the County Employees Retirement Law of 1937, and (b) budgeting for existing positions already part of the County Code. The section clarifies that the JOGC is not performing the role of Appointing Authority. The section provides that staff will prepare a budget plan for the JOGC's approval stating how and when staff proposes to conduct the planning and budgeting process. This approach provides staff with flexibility to define the plan based on needs, as they may change over time, rather than locking staff into a calendar defined in the Charter. Such flexibility

is important to the budget team, and it also reserves final approval to the JOGC so that the committee can exercise overall control.

Section 7.3 – Education and Travel (Section 7.7 in the original Charter). This section is unchanged.

Section 7.4 – Joint Policies. This new section clarifies that the JOGC may oversee development of joint policies. The Boards currently have a number of joint policies and may create new ones in the future. This section provides that the JOGC is a vehicle for the development and recommendation of such policies.

Section 7.5 – Legislation, Advocacy, and Engagement (Section 7.2 and part of Section 7.8 in the original Charter). This section combines legislation, advocacy, and engagement on joint issues into a single provision, and provides that the JOGC may make recommendations in these areas.

Section 7.6 – Litigation and Claims (Section 7.1 in the original Charter). This section is largely unchanged, except that it is revised to clarify that the JOGC will oversee litigation regarding the CEO, those reporting directly to the CEO, and others as to whom the Boards or any of their committees have an Appointing Authority role (currently the Chief Investment Officer and Chief Audit Executive). The section states that the JOGC does not intend to exercise any Appointing Authority not granted to the Boards or any of their committees.

Section 7.7 – Chief Executive Officer (Section 7.5 in the original Charter). The JOGC's role is narrowed to the recommendation of a search consultant and such other assistance as the Boards may delegate at the time of a search. There was discussion at the February 13, 2019 JOGC meeting about the use of an ad hoc committee process to oversee other aspects of the CEO search and selection process. Staff proposes that, if the committee wishes to develop a CEO search and selection policy for the Boards, that is be addressed separately, rather than in the JOGC Charter.

Section 7.8 – Board Disputes (part of Section 7.9 in the original Charter). This section provides that the JOGC may facilitate resolution of disputes between the Boards or between one Board and/or Board members, on the one hand, and non-overlapping Board members, on the other hand.

Section 7.9 – Miscellaneous Matters (Section 7.9 in the original Charter). This section is an open-ended provision permitting miscellaneous matters to be brought to the JOGC by the Board and JOGC Chairs, in consultation with the CEO, or by

any JOGC member.

Section 8 – Membership, Quorum, and Rules. This section is revised from the original Charter to add language providing that the Chairs, in making their appointments to the JOGC, will consider the overall mix of the different classes of trustees and also consider continuity of service. This language is adapted from a proposal made to the Boards by Mr. Kelly in August 2018.

Section 9 – Leadership. This section is unchanged.

Section 10 – Meeting Frequency and Dates. This section is revised only to include language that the meeting schedule will be subject to the planning and budgeting plan approved under Section 7.2.

Section 11 – Elimination of Committees. This section is unchanged.

Section 12 – Charter Review. This section is revised to reflect that the Boards' triennial review of the Charter will be based on a recommendation from the JOGC to allow for the committee itself to review the Charter in the future, just as is being done now.

CONCLUSION

For the reasons stated in this memo, the JOGC recommends that the revised JOGC Charter be approved by the Board of Retirement and the Board of Investments.

Attachments

c: Lou Lazatin
JJ Popowich
Jonathan Grabel
Steven P. Rice
Richard Bendall
Beulah Auten
Ted Granger
Kimberly Hines
Harvey Leiderman

EXHIBIT A

Revised JOGC Charter



LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Joint Organizational Governance Committee Charter

Revised and Restated

Adopted by Board of Retirement on _____, 2019

Adopted by the Board of Investments on _____, 2019

LACERA
Joint Organizational Governance Committee Charter

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LACERA
Joint Organizational Governance Committee Charter

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

The Los Angeles County Employees Retirement Association (LACERA) is a public pension system formed in 1937 in accordance with the County Employees Retirement Law of 1937 (the '37 Act or CERL) and administered pursuant to the '37 Act, the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the California Constitution. Since 1971, LACERA has also administered the Retiree Healthcare Benefits Program for the County and outside districts, through contractual agreements with the County.

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

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

The BOR and BOI have joint authority under CERL over certain shared responsibilities, including: classification and compensation of personnel; adoption of LACERA's administrative budget; the appointment and evaluation of the Chief Executive Officer (CEO); and other matters as specified in CERL.

Under the California Constitution, the Boards have plenary authority over administration of the pension fund.

2 Purpose of this Document

The purpose of this document is to describe:

- the purpose, scope, responsibilities, meetings, and structure of the Joint Organizational Governance Committee (JOGC);

LACERA
Joint Organizational Governance Committee Charter

- the committee’s membership and leadership; and
- meeting frequency and dates.

3 Purpose of the JOGC

The purpose of the JOGC is to:

- serve and facilitate the work of both Boards when the two boards duties intersect;
- improve the combined oversight of both Boards;
- facilitate effective two-way communications and act as liaison between the Boards;
- ensure that both Boards are comfortable that their perspectives are properly represented; and
- make recommendations, not decisions.

4 Scope

The scope of the JOGC’s responsibilities, as explained and defined in Section 7, includes:

- Organizational Philosophy;
- Strategic Planning and Budgeting;
- Education and Travel;
- Joint Board Policy Development;
- Legislation, Engagement, and Advocacy;
- Litigation and Claims Relating to Unusual and Materials Risks;
- Chief Executive Officer Search;
- Board Disputes; and
- Miscellaneous Matters.

5 Powers Reserved for the BOR and BOI

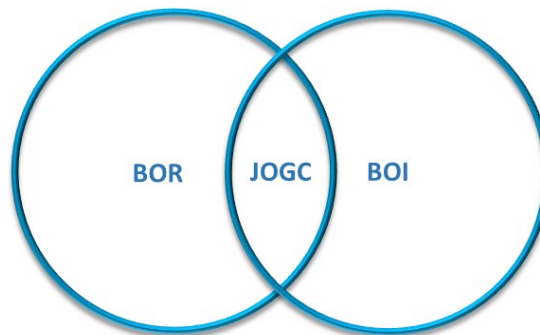
The BOR reserves for itself all powers related to (i) retirement and healthcare benefits including policy, legislation, litigation, operations, and administration, and (ii) actuarial valuations of the OPEB Program.

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The BOI reserves for itself all powers related to (i) investments, including policy, legislation, litigation, operations, and administration, (ii) actuarial valuations of the pension fund, and (iii) oversight of the OPEB Trusts.

6 Authority

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



7 Responsibilities

7.1 Organizational Philosophy

Make recommendations regarding LACERA's Mission, Vision, and Values.

7.2 Strategic Planning and Budgeting

Provide oversight and guidance on the development of a three-year strategic plan and the associated annual budgeting process for the Administrative, Retiree Healthcare, OPEB Program, and Non-Administrative budgets and make recommendations to the Boards, including the following:

- Strategic Plan: Provide oversight and guidance on the development of a three-year strategic plan that will guide the annual budgeting process, including resources needed to achieve organizational objectives.

In providing input and guidance on the development of the strategic plan, and associated budget plans, the JOGC will take into account, but will not reconsider, actions taken by the Boards within the areas of their separate jurisdiction, including the Board of Retirement for pension, healthcare, and administrative matters and the Board of

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Investments for investment-related strategic planning. The JOGC's role reflects an understanding that the entire budget process for LACERA, under Government Code Section 31580.2, is subject to the approval of both Boards, and that therefore oversight and guidance for the development of the budget is a joint Board responsibility, based in part upon actions taken by the Boards separately, including vendor selections and other matters.

Additionally, the JOGC's role reflects an understanding that each three-year strategic plan is a rolling plan and will also take into account past strategic plan initiatives that have already been set in motion and for which resources have already been allocated and expended as they provide input on new expectations and initiatives.

- Staffing Needs.
 - Staff Classifications: Review and make recommendations on staff requests to create all new Staff Member classifications.
 - Staff Compensation: Review and make recommendations on Staff Member requests related to:
 - Negotiation and approval of collective bargaining agreements;
 - Approval of initial compensation levels and ranges applicable to new positions to be added to the County Code;
 - Approval of compensation level and range changes for existing positions that require changes to the County Code; and
 - Budgeting for compensation to be provided for existing positions within existing County Code ranges.
- Budget Development: Provide oversight and guidance during the annual budget development cycle for the Administrative, Retiree Healthcare, OPEB Program, and Non-Administrative budgets. The staff will develop preliminary budget plans that take into account and support the approved strategic plans and general operating needs. The JOGC will review and provide a recommendation regarding the proposed budgets which will in turn be presented to the Boards during budget hearings. Both Boards will then independently take action on the JOGC's recommended proposed budget.

Staff will present a three-year strategic plan and annual budget plan development process, including a proposed JOGC meeting schedule with respect to planning and budget issues, for the JOGC's approval. This process will govern how the organization will conduct the strategic plan and budgeting process on an annual basis. Once approved the process will remain in effect until reviewed and modified by the JOGC and staff, with a mandatory review every six years.

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The JOGC will complete its strategic planning and budgeting responsibilities on a timetable outlined in the approved annual strategic planning and budgeting process. All plans will include presentation of the budget to the Boards for final approval no later than June of each year.

On-going Oversight: Once a three-year strategic plan and annual budget is approved the JOGC will provide on-going oversight of the budget-to-actual results and the progress made towards fulfilling the Strategic Plan initiatives, during the fiscal year according to a schedule approved by the Committee in consultation with the staff.

By this section, the JOGC does not assume and will not exercise any responsibility as Appointing Authority not granted to the Boards under the Los Angeles County Code, including Section 5 (Personnel) and Section 6 (Salaries), or otherwise in conflict with the County Code and LACERA Policy.

7.3 Education and Travel

Oversee and make recommendations with respect to the:

- Education and Travel Policy; and
- Other training issues relevant to both Boards as needed.

7.4 Joint Policies

Oversee development of and make recommendations with respect to all joint policies.

7.5 Legislation, Engagement, and Advocacy

May make recommendations about legislation, engagement, and advocacy that impact both Boards.

7.6 Litigation and Claims

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

- (1) legal theories,
- (2) conduct by LACERA, the Board, Board members, staff, members, vendors, or other third-parties,
- (3) an amount or type of damages, or
- (4) potential adverse reputational impact or publicity,

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

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

Each Board is generally expected to separately manage:

- (1) As to the Board of Retirement, Litigation and Claims relating to the regular course of business regarding retirement, disability, and healthcare benefits, all LACERA personnel (other than the Chief Executive Officer, and all those reporting directly to them or as to whom the Boards or any of their committees have an Appointing Authority role as stated in this section), and the general operations and administration of the retirement system and the OPEB Program (including actuarial services for the OPEB Program),
- (2) As to the Board of Investments, Litigation and Claims relating to the regular course of business regarding investments, pension actuarial services, and the OPEB Trusts, and
- (3) Litigation and Claims concerning contracts approved only by that Board.

By this section, the JOGC does not assume any responsibility as Appointing Authority not granted to the Boards under the Los Angeles County Code, including Section 5 (Personnel) and Section 6 (Salaries) or otherwise in conflict with the County Code.

7.7 Chief Executive Officer

Should a vacancy occur:

- Make a recommendation for a search consultant; and
- Provide such additional assistance in the selection process as the Boards may determine at the time.

7.8 Board Disputes

May facilitate dispute resolution between the Boards and between one Board, or one Board's members, on the one hand, and members of the other Board that do not serve on both Boards, on the other hand. The JOGC does not have the authority to enforce a resolution of such issues.

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The JOGC's role is to provide a forum for discussion of such issues and serve as a resource that may facilitate constructive resolution in the interest of LACERA.

7.9 Miscellaneous Matters

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

8 Membership, Quorum, and Rules

There will be eight (8) members with no designated alternates. The JOGC will be comprised of the BOR and BOI Chairs and Vice-Chairs plus one member appointed by each Chair and one member elected by each Board. In making their appointment, each Chair will endeavor to include an overall mix of trustees who are appointed by the Board of Supervisors, elected by active employees (general and safety), elected by retired members, and who serve in an ex officio capacity. The Chairs will also consider continuity of service when appointing members, so that development of expertise and familiarity with the subject matters jurisdictional to the JOGC are encouraged, and to benefit the JOGC's goals.

If there is one JOGC member who represents both Boards (one overlap), then an additional appointment will be made by the BOR Chair in even years and by the BOI Chair in odd years. If there is more than one overlap, the BOR and BOI Chairs will make an equal number of additional appointments; if there are an odd number of overlaps, the final appointment, after the Board Chairs make their separate appointments, will be made following the rule as stated in the preceding sentence that applies in the case of one overlap.

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

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

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

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9 Leadership

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

10 Meeting Frequency and Dates

10.1 Frequency

The regular meeting schedule will be established at the first meeting of each year. Generally, the meeting schedule will be March, April, June, September, and December, subject to the strategic and planning process calendar to be approved under Section 7.2. Special meetings may be called as needed in accordance with the Ralph M. Brown Act.

10.2 Dates

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

11 Elimination of Certain Committees

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

- CEO Performance Committee; and
- Education and Travel Committee.

12 Charter Review

The BOR and BOI shall review and update this Charter, based on recommendations from the JOGC, at least once every three years.

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

HISTORY:

Revised and Restated _____, 2019

EXHIBIT B

Existing JOGC Charter



LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Joint Organizational Governance Committee Charter

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

V9

LACERA
Joint Organizational Governance Committee Charter

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LACERA
Joint Organizational Governance Committee Charter

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

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

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

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

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

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2 Purpose of this Document

The purpose of this document is to describe:

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

3 Purpose of the JOGC

The purpose of the JOGC is to:

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

4 Scope

The scope of the JOGC includes:

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

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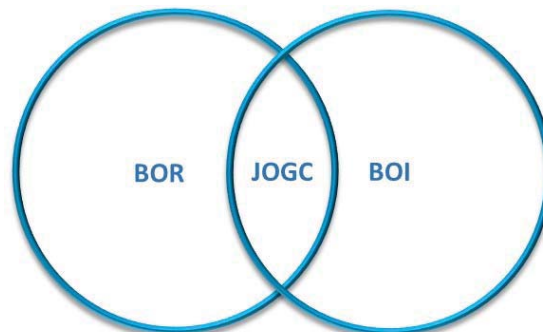
5 Powers Reserved for the BOR and BOI

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

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

6 Authority

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



7 Responsibilities

7.1 Litigation and Claims

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

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

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Joint Organizational Governance Committee Charter

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

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

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

Each Board is generally expected to separately manage:

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

7.2 Legislation

Make recommendations about Legislation that impacts both Boards.

7.3 Staff Compensation

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

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

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

7.4 Staff Classification

Make recommendations to create all new staff classifications.

7.5 Chief Executive Officer

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

7.6 Budget

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

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

7.7 Education and Travel

Oversee and make recommendations with respect to the:

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

7.8 Organizational Philosophy

Make recommendations regarding LACERA:

- Mission statement

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Joint Organizational Governance Committee Charter

- Values
- Vision
- Strategic planning
- General engagement

7.9 Miscellaneous Matters

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

8 Membership, Quorum, and Rules

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

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

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

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

9 Leadership

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

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10 Meeting Frequency and Dates

10.1 Frequency

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

10.2 Dates

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

11 Elimination of Certain Committees

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

- CEO Performance Committee
- Education and Travel Committee

12 Charter Review

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

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

April 17, 2019

TO: Each Member,
Board of Retirement
Board of Investments

FROM: Joint Organizational Governance Committee

FOR: May 1, 2019 Board of Retirement Meeting
May 15, 2019 Board of Investments Meeting

SUBJECT: External Board Member Communications Policy

RECOMMENDATION

That the Board of Retirement and the Board of Investments not adopt the proposed Joint Policy regarding External Communications of Board Members and maintain the current practice with respect to such communications without change.

LEGAL AUTHORITY

The Board of Retirement and the Board of Investments have plenary authority over administration of the system (Cal. Const., art. XVI, § 17), which includes the ability to consider policies, such as the Joint Policy regarding External Communications of Board Members, relating to the conduct of the Board's business so long as it does not infringe Board Member's individual rights. Under its Charter, the Joint Organizational Governance Committee (JOGC) has authority to review and recommend – or in this case, not recommend – the proposed policy to the Board as a “miscellaneous matter.” (Section 7.9.)

DISCUSSION

Public pension systems routinely adopt policies regarding board member communications in order to control the orderly flow of information and ensure that the organization speaks with one voice. However, the approach taken by systems varies widely. Some systems have policies that provide minimal controls, and simply require Board members not to speak for the organization. Other systems require approval of communications on behalf of the organization, while reserving the ability of members to speak on their own behalf provided that it is clear they are speaking for themselves and not the system.

The LACERA Boards have evolved such that the Boards and the Board Members are

Each Member, Board of Retirement and Board of Investments
Re: External Board Member Communications Policy
April 17, 2019
Page 2

highly engaged in the community. This engagement takes a number of forms, including membership in organizations, leadership positions, advocacy on legislative and regulatory issues, public speaking, and other activities. Given this high level of activity, and the importance of maintaining consistent messaging on behalf of LACERA as a whole, the attached proposed policy takes the approach the Board Member's external communications for the organization require prior Board approval. The right of Members to speak for themselves is preserved.

LACERA's Code of Ethical Code (Sections IX, X), which is also attached, currently address certain external communications and political activities from an ethics point of view. LACERA's current practice is to address Board member external communications on a case-by-case basis. The proposed policy suggested a more fully developed and structured LACERA approach to Board Member communications.

However, at its April 10, 2019 meeting, the JOGC engaged in a full discussion of the issue of external communications and the proposed policy. Differing perspectives were expressed. Some members were concerned about that the proposed policy could be interpreted and enforced to limit or chill Board member's ability to express themselves on LACERA matters in their various activities. On the other hand, the view was expressed that the policy will provide clarity in LACERA's messaging. In the end, the JOGC voted to recommend to both Boards that the policy not be adopted and maintain the current practice with respect to such communications without change. (Ms. Gray and Messrs. Green, Okum, and Robbins voted yes; Messrs. Bernstein and Kehoe voted no; and Messrs. Kelly and Muir were absent).

CONCLUSION

The JOGC recommends that that the Boards not adopt the proposed Joint Policy regarding External Communications of Board Members and maintain the current practice with respect to such communications without change.

Attachments

c: Lou Lazatin
JJ Popowich
Jonathan Grabel
Steven P. Rice

BOARD OF RETIREMENT AND BOARD OF INVESTMENTS
JOINT POLICY REGARDING EXTERNAL COMMUNICATIONS
OF BOARD MEMBERS

A. Statement of Purpose.

The Board of Retirement and the Board of Investment (Boards) support Board Members in their engagement and visibility with third parties in furtherance of LACERA's interests and objectives. The Boards also respect the right of Board Members to communicate in their own names on matters of interest to them as individuals separate from their role as LACERA trustees.

The purpose of this policy is to establish standards for Members of both Boards in their LACERA and personal roles. When Board Members are communicating in their LACERA role, their message as a matter of good governance should be consistent with Board decisions and policies, without regard to their position or vote, and with fiduciary duty. When Board Members communicate in their personal capacity, it should be expressly stated that the views are their own and do not represent the views of LACERA or the Boards.

This policy is intended to encourage and facilitate good communication and mitigate risks to LACERA, the Boards, and Board Members that may arise in connection with communications.

For purposes of this policy, "communicate" and "communication" refer to all forms of communication, including: verbally in speeches, presentations, and conversation, whether live or recorded, in person or by means of audio or video technology; by email; over social media; in writing; and any other means by which information is shared and opinions are expressed.

B. Communications on Behalf of LACERA.

1. *Speeches and Presentations.*

A Board Member shall seek authorization from the Member's Board before making a speech or written or verbal presentation on behalf of LACERA or either Board. If a Member is on both Boards, the Member will seek advance approval from the Board with authority over the subject matter of the communication. If a Member gives a speech or presentation at any event for which the costs of attendance are paid by LACERA, such speech or presentation shall be deemed to be on behalf of LACERA and shall require Board approval.

///

2. *Communications with Legislators, Regulators, the Plan Sponsor, or Other Public Officials.*

When communicating for LACERA with public officials, such communications shall be subject to the advance approval of the Member's Board.

3. *Communications with Vendors or Potential Vendors.*

Board Members should not communicate with LACERA vendors or potential LACERA vendors concerning LACERA business unless authorized in advance by the Member's Board. "Vendors" is defined to include all parties that contract, are participating in an RFP or other vendor selection process or contract negotiations, or desire to do business with LACERA in connection with any goods and services, including providers of goods, service providers, consultants, and investment managers.

4. *Media Inquiries.*

Board Members will not make communications to the media on behalf of LACERA without the advance approval of the Member's Board. All media inquiries shall be referred to the Chief Executive Officer and, for investment-related matters, also to the Chief Investment Officer, who are authorized to speak on behalf of LACERA.

5. *Other Communications and Actions.*

With respect to other communications and actions, a Board Member will not communicate or take other actions on of behalf of LACERA or the Boards unless authorized in advance by the Member's Board, provided that Board Members may accurately summarize public Board actions.

6. *Approval Request.*

In seeking authorization under this section, a Member will provide a brief written statement of proposed talking points for review by the Board. When a communication opportunity arises without time to present a request to the Board, a Member may direct their request to the Chair and the Vice Chair for decision, provided that notice will be provided by the Chair to the Board at its next meeting.

C. Personal Communications.

A Member may make communications on their own behalf on matters relating to LACERA, the Boards, and issues of interest to LACERA and the Boards so long as it expressly stated that the Member's communication is on behalf of the member in their

personal capacity, not as a Member of the Board, and does not represent the views of and is not on behalf of LACERA or the Boards.

D. Limitation on All Communications.

Board Members may not under any circumstances disclose confidential LACERA information, including information received in closed session, member information, attorney-client communications, information regarding LACERA employees, or other confidential or privileged information. In all communications, Board Member shall comply with all applicable law and other LACERA policies, including but not limited to the Code of Ethical Conduct.

E. Review.

This policy shall be review by the Joint Organizational Governance Committee and both Boards at least every three years.

Approved by the Board of Retirement: _____, 2019

Approved by Board of Investments: _____, 2019

CODE OF ETHICAL CONDUCT

Restated
and Approved:

Board of Retirement: December 15, 2016
Board of Investments: December 14, 2016

To LACERA Board Members and Staff:

LACERA holds itself to the highest ethical standards of honesty, integrity, trustworthiness, and fairness.

We must employ these principles every day in fulfilling LACERA's **Mission** to *produce, protect, and provide the promised benefits*. These principles are an important part of our shared **Values** of *Professionalism, Respect, Open Communications, Fairness, Integrity, and Teamwork* (PROFIT) and our collective **Vision** of *Excellence, Commitment, Trust, and Service*.

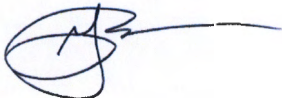
Ethics extends to all aspects of our business, including our interactions with each other inside the organization, with LACERA's members, with our plan sponsor, with vendors, with the public, and with all others.

The attached Code of Ethical Conduct provides detailed information as to the ethical standards of conduct required at LACERA. The Code addresses specific legal requirements. The Code also includes other standards rooted beyond the law in concepts of what we want to be as an organization. The Code applies equally to everyone at LACERA, including Board members and staff, because ethical lapses by any of us will reflect on all of us.

Please read the Code carefully and familiarize yourself with it. Every ethical situation you may encounter cannot be specifically addressed in such a document, and it is important that you seek additional information when needed. In this regard, the Code has sections on Reporting and Resources, including contacts for specific questions and reporting of ethical concerns.

Ethics is one of the most important criteria by which our colleagues and stakeholders will measure us. Each and every one of us has responsibility for ensuring the excellence of LACERA's ethics. Thank you for following the Code of Ethical Conduct in your work at LACERA.

Very truly yours,



Gregg Rademacher
Chief Executive Officer

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APPENDIX A – SUMMARY OF GIFT LIMITATIONS AND RESTRICTIONS

I. Purpose and Scope

The Los Angeles County Employees Retirement Association (LACERA) is a public pension plan organized under the County Employees Retirement Law of 1937 (CERL) (Cal. Gov't Code §§ 31450 et seq.) and the California Public Employees' Pension Reform Act of 2013 (PEPRA) (Cal. Gov't Code §§ 7522 et seq.). The management and administration of LACERA are vested in the Board of Retirement. All investments of LACERA are the responsibility of the Board of Investments.

The members of the LACERA Boards are mindful of the positions of trust and confidence they hold. The Boards adopt this Code of Ethical Conduct to define standards of ethical conduct required of LACERA Board members and staff. The purpose of the Code is to ensure the proper administration of LACERA and to foster public confidence in LACERA's institutional integrity as a well-managed public pension system.

"Ethics" and "ethical conduct" are defined for purposes of this Code as conduct that complies with principles of honesty, integrity, trust, fairness, and duty in connection with LACERA's business as a public pension fund. This Code looks to three sources for determination of ethical standards:

- First, laws and regulations applicable to LACERA and its business, Board members, and staff, including the California Constitution, CERL, the Political Reform Act and the regulations adopted thereunder, and other statutes, regulations, and case law.
- Second, best practices of ethical conduct. Best practices are drawn from ethical codes and practices of other public pension systems in California and elsewhere, professional associations, and similar sources.
- Third, LACERA's **Mission, Values, and Vision**, historical LACERA practices, and judgment as to the moral principles and behavior that LACERA as an organization strives to follow.

This Code provides ethical standards for LACERA Board members and staff. The Code provides specific guidance for common situations raising ethical issues. However, the Code does not specifically address every issue that Board members and staff will encounter. As to those other situations, the Code should be used and followed as a reference for standards of conduct and the basis for evaluation of facts and circumstances. The Code requires that additional information be requested when a user is unsure as to how the Code should be interpreted or when a user encounters an ethical issue not covered in the Code.

This Code is important:

- To ensure legal compliance with ethics laws and regulations.

- To further best ethical business practices.
- To establish an organization-wide culture and accountability for ethics.
- To foster trust, credibility, and positive relationships between LACERA and all parties necessary for the effective performance of LACERA's **Mission to produce, protect and provide the promised benefits**. These parties include others inside the organization, members, the plan sponsor and other participating employers, vendors, the public, and all others with whom LACERA may deal.
- To further LACERA's **Values and Vision**, which incorporate ethics, honesty, integrity, fairness, and trust.
- To establish common ethical standards followed by everyone at LACERA, instead of leaving ethics to unguided and possibly inconsistent personal judgment and interpretation.
- To mitigate the legal and business risks associated with ethical issues.
- To further the organization's business goals and objectives.
- To confirm the process for reporting or raising ethical concerns or questions.
- To identify resources for additional information concerning ethics and the applicable laws and regulations.

The Code shall not be construed as the sole source of ethics laws and regulations which must be observed by LACERA Board members and staff. Nothing in this Code shall exempt any person from any other applicable federal, state, or local law or regulation. The standards of ethical conduct in this Code are in addition to any such other laws and regulations.

II. General Ethical Standards

This Code addresses specific ethical requirements in subsequent sections. The application of those specific requirements is summarized in this Section II as General Ethical Standards.

The following General Ethical Standards apply to LACERA Board members and staff:

- Recognize and be accountable for all fiduciary responsibilities.
- Comply with all applicable laws and regulations.
- Conduct all LACERA business in a fair manner, and be honest in all business dealings.
- Strive to provide the highest quality of performance and counsel.
- Avoid any activity which constitutes an actual conflict of interest or which could be perceived or interpreted as a conflict of interest by others.
- Avoid exerting improper influence or being improperly influenced, and the appearance of improper influence or being improperly influenced.
- Exercise prudence and integrity in the management of funds.
- Report to an appropriate person actions which may constitute violations of this Code of Ethical Conduct.
- Be responsible for maintaining professional competence.
- Be respectful, professional, and courteous to all LACERA Board members and staff, LACERA members, and all persons and entities with which LACERA does business or may otherwise interact.
- Maintain the confidentiality of all plan member information and all other confidential or privileged information so designated, including but not limited to information provided for or related to closed sessions of the Boards, which is received from or created or maintained by LACERA.
- To the extent not otherwise covered by the preceding bullets, conduct LACERA business in a manner consistent with:
 - LACERA's **Mission** to produce, protect, and provide the promised benefits.
 - LACERA's **Values** of *Professionalism, Respect, Open Communications, Fairness, Integrity, and Teamwork*.
 - LACERA's **Vision** of *Excellence, Commitment, Trust, and Service*.

- All other applicable LACERA policies and procedures.
- Report or seek additional information from an appropriate person, when necessary, concerning ethical questions and issues.

III. Prohibited Transactions

The specific ethical requirements in subsequent sections of the Code define and describe certain prohibited conduct. Those prohibitions are summarized in this Section III as Prohibited Transactions.

LACERA Board members and staff shall not engage in the following Prohibited Transactions:

- Utilizing any property, resources, information, or opportunity of LACERA for personal gain.
- Falsifying or failing to record proper entries on any books or records of LACERA.
- Knowingly becoming a party to, or condoning, any illegal activity.
- Authorizing payment of any amount on behalf of LACERA, or for any purpose, other than that explicitly disclosed in the original request for payment.
- Directly or indirectly seeking or accepting gifts, money, property, or other benefit that would influence or appear to influence the conduct of duties.
- Engaging in or conducting outside activities or offices of financial or personal interest that may conflict with the impartial and objective execution of LACERA business activities.
- Selling or providing goods or services to LACERA without disclosure.
- Utilizing the services of relatives or close personal associates for LACERA business without disclosing such relationship prior to execution and obtaining the appropriate approval.
- Engaging in activities involving dishonesty, fraud, deceit or misrepresentation.
- Engaging in outside employment with any providers of supplies or services to LACERA.
- Engaging in outside employment that would interfere with or hamper expected performance at LACERA.
- Engaging in other activities which compromise or appear to compromise one's objectivity in the conduct of one's duties.
- Releasing to any third person plan member information or other confidential or privileged information so designated, including but not limited to information provided for or related to closed sessions of the Boards, which is received from or created or maintained by LACERA.

- Engaging in any other conduct prohibited by this Code of Ethical Conduct or applicable laws and regulations.

IV. Fiduciary Duties

Members of LACERA's Board of Retirement and Board of Investments have fiduciary duties under the California Constitution and other law. LACERA as an organization also has fiduciary duties, which are implemented through LACERA's employees. Finally, certain of LACERA's vendors have a fiduciary duty to LACERA. This Section IV addresses all three categories of fiduciary duty.

A. Fiduciary Duties of Board Members

The California Constitution, Article XVI, Section 17, defines the fiduciary duties of the LACERA Boards, and the Board members:

- The Boards "shall have plenary authority and fiduciary responsibility for investment of moneys and administration of the system."
- The Boards "shall have the sole and exclusive fiduciary responsibility over the assets of the system. The retirement board also has sole and exclusive responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries. The assets of a public pension or retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system."
- The members of the LACERA Boards "shall discharge their duties solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A retirement board's duty to its participants and their beneficiaries shall take precedence over any other duty."
- The member of the LACERA Boards "shall discharge their duties with the care, skill, prudence, and diligence under the prevailing circumstances that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise with a like character and like aims."
- As to the Board of Investments, the members of the Board "shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly not prudent to do so."

These duties are also included in Section 31595 of CERL.

California case law provides that the Boards and the Board members have a trust relationship with LACERA's members and beneficiaries. This trust relationship means that the Boards and the Board members have a fiduciary duty of prudence and loyalty to members and beneficiaries, which must be exercised in good faith. Further, the Boards and the Board members have a duty to deal fairly with the members and beneficiaries,

without the slightest misrepresentation, concealment, threat, or adverse pressure. *Hittle v. Santa Barbara County Employees Retirement Assn.* (1985) 39 Cal.3d 374.

To perform their fiduciary duties, each member of the LACERA Boards shall diligently attend to the business of the Board on which he or she serves, and shall not leave to the other members of the Board control over the administration of the affairs of such Board.

B. Fiduciary Duties of LACERA, and Staff's Role

LACERA as an organization has the same fiduciary duties. LACERA staff supports the organization, the LACERA Boards, and Board members in the fulfillment of their fiduciary duties as described in Section IV(A) of this Code. Accordingly, LACERA staff shall be familiar with the fiduciary duties described in Section IV(A) and conduct themselves at all times in a manner consistent with those duties. LACERA staff shall take no action inconsistent with those duties. LACERA staff shall avoid any conduct which is, or may be perceived to be, detrimental to LACERA and its members and beneficiaries. In dealing with members, LACERA staff shall be honest and forthright. Staff shall ensure that the information provided to members in connection with their rights, questions, choices and decisions, concerns, and issues is complete and accurate.

C. Fiduciary Duties of Certain Vendors

Certain LACERA vendors have a fiduciary duty to the organization under applicable law or under the terms of a contract with LACERA. LACERA Board members and staff shall be aware of those vendors that owe a fiduciary duty and monitor them to ensure that the vendors comply with that duty.

V. Conflicts of Interest

LACERA Board members and staff shall avoid conflicts of interest, including the appearance of conflicts of interest, in all aspects of their work for LACERA and shall comply with applicable laws and regulations relating to conflicts.

A. Form 700 Statement of Economic Interests

Public officials, including LACERA Board members and certain staff, who make or influence governmental decisions are required to submit Form 700 Statements of Economic Interests. Form 700s are an important tool in the identification of actual or potential conflicts of interest by LACERA Board members and staff. Form 700s are public documents. LACERA Board members and designated staff shall file Form 700s when and as required by applicable law and regulations, which are generally summarized here. Additional information can be obtained from LACERA's Legal Office and from Fair Political Practices Commission publications.

Pursuant to California's Political Reform Act, LACERA's Boards have adopted, and the County of Los Angeles Board of Supervisors has approved as code reviewing authority, a Conflict of Interest Code that requires the filing of a Form 700 by positions "which involve the making or participation in the making of decisions which may foreseeably have a material effect on any financial interest," except positions which manage public investments. Cal. Gov't Code § 87302(a). Persons, including members of the Board of Retirement and identified staff, who file under an agency-adopted Conflict of Interest Code are referred to as "Code Filers." LACERA's Conflict of Interest Code sets forth the positions of all Code Filers and describes the specific economic interest Disclosure Categories that apply to each position.

There is also a separate Conflict of Interest Code for staff who serve as officers or hold other positions in LACERA's wholly-owned title holding entities.

Separate provisions of the Political Reform Act require positions managing public investments to file a Form 700. Cal. Gov't Code § 87200. Persons who file under Section 87200, including members of the Board of Investments and identified staff, are referred to as "87200 Filers." 87200 Filers are required to disclose investments, interests in real property, income (including gifts, loans, and travel payments), and business positions as described in Form 700 and the Political Reform Act. While 87200 Filers are not subject to LACERA's Conflict of Interest Codes, they are listed as a matter of information in the Appendix to LACERA's Code.

Form 700s shall be filed, both by Code Filers and 87200 Filers, upon assuming an applicable position, annually thereafter, and on leaving an applicable position. Form 700s shall be filled out by all required filers in a timely, accurate, and thorough and complete manner.

B. Gifts, Honoraria, Travel & Loans

The Political Reform Act, and Regulations promulgated thereunder by the Fair Political Practices Commission (FPPC), impose limitations on gifts, honoraria, travel, and loans. The legal rules associated with gifts, honoraria, travel, and loans are lengthy and detailed. Additional information can be obtained from LACERA's Legal Office and from FPPC publications. A summary of the general standards with respect to these matters is as follows:

Gifts. LACERA Board of Retirement members and staff who are Code Filers are prohibited from receiving gifts totaling more than the legally established gift limit from any single source in a calendar year, if receipts of gifts from that source are required to be disclosed on Form 700 by LACERA's Conflict of Interest Code. LACERA Board of Investments members and staff who are 87200 Filers may not accept gifts totaling more than the legally established limit from any single source in a calendar year. Even if a gift is not subject to Form 700 reporting or the gift limit, a gift may still create a conflict of interest; therefore, LACERA requires Board members and all staff shall make disclosure to the Legal Office of all gifts from a single source with a combined total equal to or greater than \$50 in a calendar year from any individual or entity. Gifts to family members are included in the gift rules under certain circumstances. There are also exceptions to the gift rules for certain gifts; questions should be addressed to LACERA's Legal Office or the FPPC. The gift limit is adjusted biennially. The gift limit for 2015-2016 is \$460; the limit for 2017-2018 is \$470; the limit for any date after December 31, 2018 should be confirmed with the LACERA Legal Office or the FPPC. Gifts from a single source with a combined total less than \$50 in a calendar year currently are not reportable under FPPC law and regulations; gifts equal to or in excess of this limit are subject to reporting on Form 700, subject to the requirements and limitations described above. A more detailed SUMMARY OF GIFT LIMITATIONS AND RESTRICTIONS is attached as Appendix A.

Honoraria. LACERA Board of Retirement members and staff who are Code Filers are prohibited from receiving honoraria from any source if receipts of gifts from that source are required to be disclosed on Form 700 by LACERA's Conflict of Interest Code. LACERA Board of Investments members and staff who are 87200 Filers may not accept any honoraria payments. There are certain exceptions to the honoraria rules; questions should be addressed to LACERA's Legal Office or the FPPC. Even if an honorarium is not subject to disclosure, Board members and staff shall make disclosure to the Legal Office of such a payment from any individual or entity as to which LACERA will take any action.

Travel. Payments or reimbursement for travel are subject to the reporting requirements for gifts and income. If a travel payment is a gift, it is subject to the gift limit. A travel payment can also be considered an honorarium. Recusal may be required from any decision that will have a materially foreseeable financial effect on the source of a travel payment. There are exceptions to the travel

rules; additional information can be obtained from LACERA's Legal Office or the FPPC.

Loans. 87200 Filers and elected members of the Boards may not receive a personal loan that exceeds \$250 at any given time from an officer, employee, member, or consultant of LACERA or from any individual or entity that has a contract with LACERA. Ordinary retail loans and credit card transactions are excepted if they are offered on the same terms as generally available to the public. Elected members of the Boards may not receive a loan of \$500 or more unless the loan is made in writing and clearly states the terms. There are other limitations and exceptions. A loan can constitute a gift under certain circumstances. Additional information is available from LACERA's Legal Office or the FPPC.

Board members and staff are prohibited from soliciting any gift or any other consideration (including but not limited to money, service, gratuity, favor, entertainment, hospitality, loan, or other thing of value) from anyone who is doing or is seeking to do business of any kind with LACERA.

Board members and staff are prohibited from accepting any gift from anyone who is doing or is seeking to do business of any kind with LACERA, when the gift is offered with a view toward securing favorable treatment in the awarding of any contract or agreement, or the making of any determination.

All rules relating to gifts, honoraria, travel, and loans are subject to change by the FPPC and other authority. Confirmation of the current rules can be obtained from LACERA's Legal Office or the FPPC.

C. Incompatible Activities/Incompatible Offices

LACERA Board members and staff shall not engage in any employment, activity, or enterprise which is inconsistent, incompatible, in conflict with, or inimical to his or her duties for or on behalf of LACERA, or with the duties, functions, or responsibilities of the position he or she occupies for LACERA. LACERA Board members and staff shall not perform any work, service, or counsel outside his or her responsibilities for LACERA where any part of his or her efforts will be subject to approval by the Boards or any employee of LACERA acting in that capacity. Cal. Gov't Code § 1126.

Board members may not simultaneously hold two public offices where the functions of the offices are inconsistent or where there are conflicting interests. Cal. Gov't Code § 1199.

D. Contracts

LACERA Board members and staff shall not be financially interested, directly or indirectly, in any contract made between LACERA and any individual or entity. The making of a contract includes any participation whatsoever, including the development

of the need for the goods or services subject to the contract, issuance of a Request for Proposals (RFP), Request for Information (RFI), purchase order, or other solicitation or contracting process, evaluation of prospective contracting parties, selection of contracting parties, negotiation of the terms of the contract, and performance of the contract. Cal. Gov't Code § 1090 et seq.

E. Investments

LACERA Board members and staff shall not have any personal interest, direct or indirect, in the making of any investment by LACERA, or in the gains or profits from any investment. Board members and staff shall not, directly or indirectly, for himself or herself, or as an agent or partner of others, sell or provide any investment product to LACERA. Cal Gov't Code § 31528 (a), (b).

F. Disclosure and Recusal

LACERA Board members and staff shall disclose actual or potential conflict of interest, or the appearance of an actual or potential conflict of interest, to the Chief Executive Officer and the Legal Office. Board members and staff shall recuse themselves from involvement, consideration, and decision of a matter as to which the member has an actual conflict of interest. Recusal, or disqualification, is mandatory in certain circumstances, and discretionary in others. Board members and staff should consider recusing themselves from consideration and decision of a matter as to which the member has a potential conflict of interest, or the appearance of an actual or potential conflict of interest. Board members and staff shall consult with the Legal Office on any issue of recusal to discuss legal requirements that may apply to the particular circumstances, including whether recusal is required, whether recusal is an effective remedy for a conflict or potential conflict or whether other steps (up to and including disqualification of an individual or the Board) are necessary, and the way in which recusal, if possible, should be documented.

G. Conflicts of Interest by Vendors

LACERA's contracts shall include appropriate provisions to ensure that there are no conflicts of interest during the contracting process and to prevent conflicts of interest during the term of a contract. Board members and staff should be alert to, and take other appropriate steps to prevent, actual or potential conflicts of interest by vendors in connection with the making or performance of contracts.

VI. Employment of Related and Unrelated Persons

To avoid nepotism or the appearance of nepotism, LACERA may not employ a person who is related to:

- A Board member.
- The Chief Executive Officer.
- Persons serving as an Assistant Executive Officer and any other employee reporting directly to the Chief Executive Officer.
- A division manager.

This prohibition does not prevent the continued employment of a person who has already been working for LACERA in a full time and non-probationary capacity for thirty consecutive days prior to the date the Board member or other individual described above acquired their position, or the related party became related. If a related party is retained under these circumstances, any actual or potential conflict of interest must still be corrected or sufficiently mitigated.

Related parties of other LACERA staff may be considered for employment by LACERA provided the applicant possesses all the qualifications for employment. Such a related party may not be hired for or assigned to a position which would either:

1. Create either a direct or indirect supervisor/subordinate relationship with a related party; or
2. Create either an actual conflict of interest or the appearance of a conflict of interest.

These criteria will also be considered when assigning, transferring, or promoting a staff member.

For purposes of this policy, related parties include:

- Spouse, parent or grandparent, child or grandchild, or sibling.
- First degree aunt, uncle, niece, nephew or cousin.
- Any “step” or “in-law” variant of the aforementioned relationships.
- Any member of the employee’s household, whether or not related.

A LACERA Board member or staff may not exercise discretionary authority to hire, evaluate or promote a related party under any circumstances, even when otherwise permitted under the standards above.

Board members and staff may participate in the hiring process for any person, whether related or unrelated, only in accordance with established LACERA policies and procedures and shall not use or attempt to use influence outside of their individual hiring authority to cause the organization to hire any individual as a permanent or temporary LACERA employee. Board members and staff may refer individuals interested in potential employment to LACERA's Human Resources.

VII. Contracting and Vendor Relationships

LACERA Board members and staff shall not have contact with individuals or entities who are seeking engagement by LACERA in response to an RFP, RFI, purchase order, or other solicitation or contracting process, except in accordance with the published terms of the contracting process or except for, and limited to, contact necessary in connection with ongoing LACERA business with an individual or entity.

LACERA's RFPs, RFIs, and other contract solicitations shall include notice that a "quiet period" will be in place from the beginning of the contracting process until the selection of the successful party such that LACERA Board members and staff, as well as potential contracting parties, are instructed that contact between Board members and staff, on the one hand, and all potential contracting parties, on the other hand, shall not occur, except as provided in the preceding paragraph. As part of the contracting process, potential contracting parties shall be required to disclose potential conflicts of interest.

LACERA Board members and staff shall participate in the contracting process only in accordance with established LACERA policies and procedures, and the published terms of the process. Board members and staff shall not use or attempt to use influence, outside of their individual authority to cause the organization to enter into a contract with any individual or entity. Board members and staff may refer individuals or entities for consideration for contracting to the appropriate LACERA staff responsible for the particular procurement or contract process.

VIII. Use of LACERA Position, Resources, and Information

LACERA Board members and staff shall not use their position or status with LACERA, LACERA property, funds, or other resources, or LACERA information, including plan member information, investment information, and other information concerning LACERA's business, for any personal purpose or gain, to secure any special privilege or exemption for himself or herself or any other individual or entity, or to assist or further the interests of any other individual or entity except in the normal course of LACERA's business. LACERA position, resources and information are to be exclusively used for LACERA business.

Board members and staff shall maintain the confidentiality of plan member information. Cal. Gov't Code § 31532.

Disclosures of public LACERA information pursuant to the Public Records Act shall be handled by the Legal Office to ensure compliance with legal requirements, consistency, and proper recordkeeping.

Board members and staff shall not disclose information acquired during a closed session of the Board unless the Board takes action to authorize disclosure. Cal. Gov't Code § 54963.

Board members and staff shall not, directly or indirectly, for himself or herself, or as an agent or partner of others, borrow or use any of the funds or deposits of LACERA, except to make authorized current and necessary payments of the retirement system. Cal. Gov't Code § 31528(a).

IX. Personal Conduct and Communication

LACERA Board members and staff shall adhere to the following standards in their personal conduct in performing their work on behalf of LACERA:

- Board members and staff shall conduct themselves in accordance with this Code of Ethical Conduct.
- Board members and staff shall abide all applicable laws and regulations.
- Board members and staff shall act in a manner consistent with LACERA's **Mission, Values, and Vision** and shall follow all LACERA policies and procedures.
- Board members and staff shall treat similarly situated individuals and entities in a similar way, absent good cause, in the conduct of LACERA's business and decision-making to ensure consistency and fairness.
- Board members and staff shall communicate with, orally and in writing, and otherwise in all respects and at all times treat each other and all others in a respectful, professional, courteous, and civil manner.

A Board member shall not correspond with a non-LACERA person or entity using LACERA letterhead unless the communication is authorized by the Board on which the member serves. Copies of all written communications from a Board member to a current service provider, or person or entity related to a current service provider, relating to LACERA's business (other than purely personal or social correspondence) shall be provided to the Chief Executive Officer for subsequent distribution to all members of the Board on which the member serves. A copy of any written communication (other than purely personal or social correspondence, routine announcements, generally distributed newsletters, and the like) received by a Board member from a current LACERA service provider, or person or entity related to a current service provider, shall be forwarded to the Chief Executive Officer for subsequent distribution to all members of the Board on which the member serves. For purposes of this paragraph, the terms "communication" and "written communication" include email and other forms of electronic communication as well as physical or hard copy forms of communication.

Board members and staff shall be aware of the risk of communicating inaccurate information to plan members. Board members and staff shall refrain from providing specific advice or counsel with respect to a plan member's rights, benefits, or obligations, except staff who are authorized to communicate with members on such matters. All others should refer plan member questions and concerns to the Chief Executive Officer or appropriate designee.

X. Political Activities

LACERA Board members and staff may work on individual candidate and ballot campaigns, and attend campaign events, during their personal time. They may make campaign contributions using personal funds, subject to applicable campaign finance laws. No LACERA funds, property, technology, letterhead, logo, or other resources may be used by LACERA Board members and staff to support personal political activities. LACERA Board members and staff may not solicit political contributions to a candidate or ballot campaign from other Board members and staff except (1) as part of a solicitation that is made to a significant segment of the public or (2) with respect to a ballot measure which would affect the rate of pay, hours of work, retirement, civil service, or other working conditions of LACERA employees; solicitations permitted by these two exceptions may only be made on personal time. LACERA Board members and staff may not use their influence or make any threats or promises relating to potential or current employment, promotion, or compensation to secure a vote or financial or other support for a candidate or ballot campaign. Cal. Gov't Code §§ 3201 et seq. LACERA Board members and staff may use their LACERA position to identify themselves when making an endorsement, provided that no statement may be made or action taken directly or indirectly indicating that the person represents LACERA in making the endorsement or that the endorsement is supported by or represents the position of LACERA, except when providing information authorized by the Boards. Nothing in this section is intended to impose any limitation on the personal political activities of LACERA Board members and staff not permitted by California law.

XI. Leaving LACERA

A. Prospective Employment

LACERA Board members and all staff shall not make, participate in making, or influence a decision by LACERA that directly relates to a nongovernmental prospective employer while negotiating or after reaching an employment agreement. The foregoing prohibition is triggered by an interview with a nongovernmental prospective employer or a nongovernmental prospective employer's agent, discussing an offer of employment with a nongovernmental prospective employer or a nongovernmental prospective employer's agent, or accepting an offer of employment. The foregoing prohibition does not apply if the Board member or staff is legally required to make or participate in the making of the decision or if the decision affects the nongovernmental prospective employer in substantially the same way as it will affect a significant segment of the public generally. Cal. Gov't Code § 87407.

B. Limitations on Subsequent Activities

LACERA Boards members, the Chief Executive Officer, Assistant Executive Officers, persons next in line to Assistant Executive Officers, Chief Counsel, chief deputy legal officers, the Chief Investment Officer, and persons next in line to the Chief Investment Officer shall not, for two years after leaving that position, for compensation, act as agent or attorney for, or otherwise represent, any person except the County of Los Angeles, by making any formal or informal appearance before, or any oral or written communication to, LACERA, or any Board member or employee of LACERA, for the purpose of influencing action by LACERA, including any action involving the awarding or issuance of a contract or sale or purchase of goods or property. Cal. Gov't Code § 31528(c).

XII. Reporting

Reporting of ethical issues is an important element of ensuring compliance with ethical requirements. Any concerns by Board members and staff about possible violations of this Code of Ethical Conduct or other ethical issues shall be reported to the Chief Executive Officer, the Chief Audit Executive, or Chief Counsel. Board members may also report concerns to their Board Chair. Staff may also report ethical issues to their immediate supervisor or division manager.

Concerns may be reported anonymously at the Internal Audit Hotline, which may be reached externally at (626) 564-6000, extension 2040, or internally by dialing extension 2040 directly.

XIII. Enforcement

LACERA's Chief Executive Officer is responsible for communicating, implementing and enforcing the Code of Ethical Conduct with respect to LACERA staff. The Board Chairs will enforce this Code with respect to Board members and the Chief Executive Officer in accordance with Board administrative policies and applicable laws.

Violations of any of the provisions of the Code by staff may result in disciplinary action as the situation may warrant, up to and including termination of employment. Violations by Board members will be handled in accordance with Board Regulations, Bylaws, and policies and applicable law.

Questions on this matter should be referred to LACERA's Director of Human Resources, Internal Audit, or the Legal Office.

XIV. Training

LACERA management will provide training to new staff on this Code of Ethical Conduct as part of the new employee orientation. Management will provide training to existing staff on this Code at least every two years.

Management will include discussion of this Code in the training for new and incoming Board members. The Code will be circulated to all Board members at least every two years.

XV. Resources

Board members and staff may refer to the following resources for additional information concerning this Code, questions concerning the application and interpretation of the Code to specific situations, and other issues concerning ethics and ethical conduct relevant to the performance of their duties and work for LACERA and its members and beneficiaries.

A. LACERA's Legal Office

The LACERA Legal Office is familiar with the laws and regulations that form the foundation for this Code. The Legal Office is experienced in applying those laws and regulations to specific situations. The Legal Office is available at any time to provide additional information concerning ethics questions and issues and provide written or oral advice or opinions with respect to specific situations. The Legal Office will respond to information about potential ethical issues, concerns, and violations in the LACERA organization and take appropriate action. Questions for the Legal Office should be directed to LACERA's Chief Counsel.

B. LACERA's Internal Audit Division/Audit Hotline

LACERA's Internal Audit Division will respond to information concerning ethical issues, problems, and concerns regarding acts or omissions in connection with LACERA's operations and will take appropriate action. Questions for the Internal Audit Division should be directed to LACERA's Chief Audit Executive. The Internal Audit Division may also be contacted anonymously on the Internal Audit Hotline, which may be reached externally at (626) 564-6000, extension 2040, or internally by dialing extension 2040 directly.

C. LACERA's Conflict of Interest Code

Board members and staff should refer to LACERA's current Conflict of Interest Code, which is available on LACERA's website, www.lacera.com, with respect to LACERA's requirements for the filing of Form 700 Statements of Economic Interests.

D. California Constitution

The California Constitution, Article XVI, Section 17, which sets forth the fiduciary duties of the Board and Board members and the retirement system, is available on line at https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=CONS&division=&title=&part=&chapter=&article=XVI.

E. CERL

CERL, California Government Code §§ 31450 et seq., is available online at https://leginfo.legislature.ca.gov/faces/codes_displayexpandedbranch.xhtml?tocCode=GOV&division=4.&title=3.&part=3.&chapter=3.&article=

F. California Government Code Section 1090 et seq.

Conflict of interest rules relating to financial interest in the making of contracts, incompatible activities, and incompatible offices are contained in California Government Code Section 1090 et seq., which is available online at https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=GOV&division=4.&title=1.&part=&chapter=1.&article=4.

G. California Government Code Section 3201 et seq.

Rules regarding political activities are contained in California Government Code Section 3201 et seq., which is available online at https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=GOV&division=4.&title=1.&part=&chapter=9.5.&article=.

H. Other California Statutes

Other California statutes relating to ethics issues are available online at <https://leginfo.legislature.ca.gov/faces/codes.xhtml>.

I. Fair Political Practices Commission

The California Fair Political Practices Commission (FPPC) has a large number of resources available concerning ethics issues under the Political Reform Act, FPPC Regulations, and related law. FPPC resources include:

1. Website: www.fppc.ca.gov/.
2. FPPC Publications available on the website:
 - a. Form 700 Statement of Economic Interests, and Form 700 Statement of Economic Interests Reference Pamphlet.
 - b. Limitations and Restrictions on Gifts, Honoraria, Travel and Loans: A Fact Sheet for Local Officials.
 - c. Recognizing Conflicts of Interest: A Guide to the Conflict of Interest Rules of the Political Reform Act.
 - d. Leaving Local Government Employment.
 - e. Political Reform Act, including the full text of the law.
 - f. FPPC Regulations, including the full text of the regulations.
 - g. FPPC Letters and Opinions, including a searchable database of letter and opinions issued by the FPPC on ethical issues.

3. Campaign Rules/Finance. <http://www.fppc.ca.gov/learn/campaign-rules.html>.
4. Advice and Enforcement. The FPPC offers informal and formal advice on ethical issues and has procedures for making a complaint. Instructions for seeking advice or making a complaint are on the FPPC website.

J. California Attorney General Conflict of Interest Guide

The California Attorney General has published a Conflict of Interest Guide which contains information on a wide range of conflict of interest issues. Although the Guide was last updated in 2010, it remains a useful reference. The Guide is available online at <https://oag.ca.gov/sites/all/files/agweb/pdfs/publications/coi.pdf>.

K. Los Angeles County Registrar-Recorder/County Clerk

Information concerning Los Angeles County campaign rules and finance can be obtained at <https://lavote.net/home/voting-elections/candidate-measure-information/campaign-finance-prop-b-reporting/campaign-disclosure-information>.

L. Los Angeles County Fraud Hotline

Ethical concerns may be reported to the Los Angeles County Fraud Hotline, <http://fraud.lacounty.gov/>. The County Fraud Hotline will not generally investigate LACERA issues, but it will forward concerns to LACERA for response.

XVI. Review of Code

This Code shall be reviewed by the Board of Retirement and Board of Investments every three years. The Legal Office and Internal Audit shall monitor applicable laws, regulations, and best practices on an ongoing basis and shall request amendment of the Code when deemed necessary and appropriate. This Code may be amended by action of both Boards at any time.

APPENDIX A – SUMMARY OF GIFT LIMITATIONS AND RESTRICTIONS

WHAT IS A GIFT? A “gift” is any payment or other benefit that confers a personal benefit for which you do not provide payment or services of equal or greater value. Gifts are valued at fair market value as of the time the gift is received. Gifts include price discounts and rebates, unless generally available to the public. Gifts are income reportable on Form 700, Schedule D or E, subject to applicable rules and exceptions, including those below.

Examples of Gift Exceptions (no reporting/no dollar limit/no conflict of interest):

1. Items returned unused to the donor, or for which you reimburse the donor, within 30 days.
2. Items donated unused, within 30 days of receipt, to (a) a 501(c)(3) non-profit with which you do not hold a position, or (b) a government agency. You cannot claim a tax deduction.
3. Gifts from a family member (spouse or former spouse, child, parent, grandparent, grandchild, sibling, current or former parent-in-law, siblings-in-law, aunt, uncle, niece, nephew, or first cousin, or the spouse of any such person), unless the family member is acting for another person.
4. Informational material provided to assist you in performing your official duties, including books, periodicals, videos, admission or discounts to informational conferences, demonstrations, or tours. This exception does NOT apply to meals, lodging, or (generally) transportation.
5. Tickets that you do not use and do not give to another person.
6. Two tickets, used by you and one guest, to attend a fundraiser for a campaign committee or candidate or a 501(c)(3) non-profit, provided the tickets are received from the organizer.
7. Items provided to LACERA and used by you for official business.
8. Travel payments made to LACERA and used to pay for your official business travel.

Examples of Limited Gift Exceptions:

1. Gifts commonly received from a dating partner, long-time personal friend, existing personal or business relationship unrelated to LACERA, or as an act of human compassion (no reporting or dollar limit, but these exceptions do not apply if person has LACERA business).
2. Wedding gifts received (not subject to dollar limit but reportable on Form 700 if meet gift threshold, with ½ of value reportable by each spouse; disqualification applies if donor has LACERA business).
3. Gifts commonly exchanged on holidays, birthdays, or similar occasions to the extent the gifts exchanged are not disproportionate in value.
4. Reciprocal exchanges with another individual (e.g., rotating lunches) so long as payments are not substantially disproportionate, payments are roughly equal over any calendar year, and no single payment is greater than the gift limit.
5. Travel payments for actual transportation, meals, and lodging the day of, day before, and day after you give a speech for a legitimate LACERA business purpose or on a state/national policy issue. Such payments are reportable on Form 700 and subject to conflict of interest disqualification.

GIFT LIMITS

Gifts with a combined total of under \$50 from a single source for the calendar year need not be disclosed. Gifts greater than the gift limit below in any 12-month period may require disqualification.

Board of Retirement and Staff Identified in LACERA Conflict of Interest Code (“Code Filers”):

For 2016, you may not accept gifts from a single source with a combined total of more than \$460 for the calendar year if the Code requires you to report gifts from that source on your Form 700. For 2017-18, the limit increases to \$470.

Board of Investments and Staff Identified in Appendix to the Conflict of Interest Code (“87200 Filers”):

For 2016, you may not accept gifts from ANY single source with a combined total of more than \$460 for the calendar year. For 2017-18, the limit increases to \$470.

IMPORTANT NOTE: *This document is only a summary of applicable law as of December 2016; additional rules apply. Any gift may create the appearance of a conflict of interest. Please contact the LACERA Legal Office with any questions. This summary will be updated as needed.*



April 23, 2019

TO: Each Member
Board of Retirement

FROM: Operations Oversight Committee
Shawn R. Kehoe, Chair
Thomas Walsh, Vice Chair
Joseph Kelly
Les Robbins
Vivian Gray, Alternate

FOR: May 1, 2019 Board of Retirement Meeting

SUBJECT: Purchase of Knowledge and Matter Management Software

RECOMMENDATION

The Operations Oversight Committee recommends that the Board of Retirement approve the purchase of Wolters Kluwer's TyMetrix 360° (T360) enterprise-wide Knowledge and Matter Management System (KMS).

EXECUTIVE SUMMARY

The Investments and Legal Divisions identified a need for software that helps to manage data, allowing the user to collect, view, sort, and conveniently access all business information in one place – including vendor and manager contact information, meeting notes, billing, contracts, and other important documents – in support of the two divisions' joint efforts on investment transactions and related matters as well as management of other LACERA investment and legal activities.

Representatives from the Investments, Legal, and Systems Divisions presented the result of their 18-month search for approval of the preferred vendor at both the March and April Operations and Oversight Committee (OOC) meetings. The April 11, 2019 meeting material submitted to OOC is attached for reference. At the April 11 meeting, the OOC voted unanimously (Messrs. Kehoe, Kelly, Robbins, and Walsh) to support the recommendation.

Each Member
Board of Retirement
Purchase of Knowledge and Matter Management Software
April 23, 2019
Page 2

IT IS THEREFORE RECOMMENDED THAT the Board of Retirement approve the purchase of Wolters Kluwer's TyMetrix 360° KMS.

Reviewed and Approved




Lou Lazatin
Chief Executive Officer

Attachment: April 11, 2019 OOC Material

c: Investments Division
Legal Division
Systems Division

March 28, 2019

TO: Each Member
Operations Oversight Committee

FROM: Lou Lazatin 
Chief Executive Officer

FOR: Operations Oversight Committee Meeting – April 11, 2019

SUBJECT: **KNOWLEDGE/MATTER MANAGEMENT SYSTEM – VENDOR
RECOMMENDATION**

RECOMMENDATION

The Operations Oversight Committee recommends that the Board of Retirement (BOR) approve the selection of Wolters Kluwer’s TyMetrix 360° (T360) as the enterprise-wide Knowledge and Matter Management System (KMS) vendor. The BOR approved \$150,000 for KMS software in the FY 2018-2019 budget.¹

EXECUTIVE SUMMARY

Over the past 18 months, a 20-person team from the Executive, Investments, Legal, and Systems Divisions searched for a KMS provider. KMS is a specialized enterprise-level software that helps to manage data, allowing the user to collect, view, sort, and conveniently access all business information in one place—including vendor contact information, meeting notes, billing, contracts, and other important documents.

LACERA’s Investments and Legal Divisions currently use a patchwork of basic Microsoft Office software as well as time-intensive manual processes in their daily work. KMS will centralize and automate those essential work functions while at the same time improving cross-divisional collaboration, enhancing knowledge retention, and providing detailed reporting—all in one cohesive system.

Importantly, KMS will facilitate LACERA’s efforts in achieving four of the five strategic goals outlined at the January 2019 Board Offsite Meeting. The adoption of KMS will increase *fund sustainability* through accurate and consistent file management and storage. It will also *reduce complexity* by utilizing one matter management system across divisions. KMS will create a *risk-intelligent organization* by streamlining compliance, providing a 100 percent audit trail of every document, and increasing work quality through enhanced document management and collaboration capabilities. Finally, KMS will encourage a *high-performing team and diverse workforce* as it is a true cross-divisional, collaborative tool.

¹ Annual ongoing costs will be incorporated in future budgets.

Staff believes that T360 is the best KMS software to meet the needs of the Investments and Legal Divisions. T360 offers cloud-based *Software as a Service*, or “SaaS.” Since LACERA is purchasing a service, not software, LACERA owns the data and accesses it via the web. The annual subscription cost is \$83,450, with approximately \$30,000 of professional services to configure and customize the software. The total first year cost is approximately \$113,500. Legal staff has reviewed the T360 form agreement to ensure compatibility with LACERA’s contractual requirements.

LEGAL AUTHORITY

The California Constitution, Article XVI, §17 and Government Code §31595 grants the Board of Retirement (BOR) plenary power to administer the fund and make purchases in furtherance of such administration. California Government Code §31580.2 grants the BOR budgetary authority to make the KMS purchase. The BOR’s *General Policy Guidelines for Purchasing Goods and Services* (Policy) guides staff in the purchase of the KMS software.

BACKGROUND

The Investments Division identified a need to manage and maintain investment and client information as a result of a 2015 Internal Audit finding. This search evolved into a broader search for KMS software to address inconsistent capture and maintenance of data, and thereby reduce the risk of lost knowledge due to employee turnover. The practical application is a central, open platform that allows staff to upload and access information about the people and entities that LACERA engages with in business activities. KMS will facilitate manager sourcing, due diligence, contract negotiation, and ongoing account monitoring. Most importantly, deal-level knowledge will be better retained within the organization in the event of staff turnover.

As the pension fund has grown in size, the volume of investment transactions and related data that the Legal Division processes has also increased. In fact, the Legal Division’s seven-member transaction team now processes over 400 investment transactions (such as subscription agreements, investment management agreements, purchase and sale agreements, and non-disclosure agreements) valued at over \$6 billion every year. Additionally, the team reviews contracts for the entire organization and responds to over 200 public record requests annually. As a result, around 2016, the Legal Division began the search for a tool to collect, process, manage, and report on data related to these transactions, including contracts, invoices, emails, title-holding entities, RFP materials, notes, and other documents.

Since there is significant overlap in workflow processes between the Investments and Legal Divisions, utilizing a single KMS is ideal. Hence, the Investments and Legal Divisions defined their requirements for a KMS system and jointly assessed potential software solutions.

The Systems Division was involved in the software searches and has remained a part of the KMS team. The Systems Division has been integral in screening the software vendors and the products those vendors provide. Systems performed a deep architectural dive into T360's software and data security, and verified that T360 is compatible with LACERA's current systems.

LACERA's data will be stored securely, adhering to LACERA's strict data security requirements. Data security controls will limit physical access to servers through background screening, authorized personnel utilizing badges, and biometric scanning. Data is encrypted both in transport and at rest. Multiple independent firms test the security of the data host annually.

The KMS Project Charter (**Attachment A**) details the project's background, description, objectives, and success criteria as agreed to by the Project Sponsors (Jon Grabel, Steve Rice, and James Brekk). The Charter also lists the KMS business requirements, cross-divisional team member composition, project scope, and proposed timeline.

WORK CHALLENGES AND KMS SOLUTIONS

Current Tools and Working Environment

LACERA's fund has increased in size and complexity over time. With a concurrent rise in staff numbers and business transactions, the ability for staff to cross-collaborate and manage a larger volume of data is essential. The Investments and Legal Divisions need a solution that can help monitor and track that activity, improve visibility into operations for enhanced decision-making, create consistency in documentation, and allow processing in one central location. There is also a need to generate status reports to be kept in one central location. Existing systems are inadequate to meet these needs.

Currently, there is no centralized storage for cross-departmental documents or a tool to manage data. The Legal Division manages these transactions using the Microsoft suite of products. Each transaction has a significant amount of data, documents, emails, and contacts associated with the matter. Legal and Investments Divisions may save the same material in multiple locations. Moreover, there is no remote access to data, making it difficult for those out of the office or traveling to continue to work on or respond to issues that arise.

T360 and Its Solutions

T360 directly addresses the aforementioned critical business needs. The software provides users with consistent and uniform data access, and ensures that information is retained in a usable manner. Additionally, the software will be accessible when staff members travel for site visits or work remotely.

T360 provides a tool to ensure better data capture and management, as well as enhanced collaboration. For example, when the Board of Investments approves an investment, the

negotiation of terms begins. In-house counsel, the Investments Division, and outside counsel work on multiple versions of the contract and side letters. In the current state, those documents are housed in each division's individual hard drive.

As the previous example shows, the current manual processes result in duplication of efforts and possible omission of data. T360 automates workflows and requires critical information and decisions to be made before the next step in the process starts. T360 would address many of these issues by providing the following tools and benefits:

Knowledge Management: Knowledge management is the process of creating, sharing, using, and managing LACERA's knowledge and information. Institutional knowledge and deal-level information are both strategic assets to LACERA. By systematically entering, saving, and retrieving such content, LACERA retains this strategic asset and ensures that it is organization-centric, rather than department- or employee-centric.

Matter Management: T360 helps to organize business matters (for example, a matter may be an investment manager or a title-holding company) by associating all documents, emails, contacts, notes, and reports to the matter. T360 allows for the uniform collection and recall of everything associated with the matter, leading to greater efficiency and accuracy in the staff's daily work.

Document Management: Document management is used to track, manage, and store documents, reducing the need for paper copies. T360 provides document storage, version control, metadata tagging, and document-level security, as well as indexing and retrieval capabilities.

Relationship Management: T360 has an integrated contact management system that enables users to easily store and find contact information such as names, addresses, telephone numbers, and meeting notes. Users can automatically associate any contact with any matter.

Workflow Automation: A workflow is a repeatable business activity that forms a sequence of operations of staff work productivity. T360 offers workflows that the team can customize to fit its current process. Automation also leads to efficiencies in areas such as processing of legal invoices, compliance monitoring, and report generation, and frees up staff to focus on investment decisions and legal work instead of data entry, collection, and duplicative efforts.

Dynamic Reporting: T360 includes real-time dynamic reporting on the data and processes saved in the system. Dynamic reporting provides staff two distinct types of reports at their fingertips: dashboard reports on the home screen as well as user-created custom reports.

T360 Data Security, Cloud Storage and Confidential Information

T360 software is accessed via a web browser and is hosted by Rackspace at its primary data center in Fairfax, Virginia. The primary center is backed up by Rackspace's secondary data center in Chicago, Illinois. Data exchanged between the user's web browser and the application server is encrypted. Data at rest on the host server is also encrypted.

Rackspace compliance certifications include HIPAA, HITRUST CSF, and SOC. Neither T360 nor its data host will access any data without LACERA's knowledge and consent. A "need to know" policy is in place at Rackspace, and LACERA's permission will always be obtained first. Wolters Kluwer verifies that it strictly enforces its data and privacy policies by providing ISO 27001 Certification and SOC audits. LACERA's administrator will configure, monitor, and report access directly through the T360 web client.

Business Continuity

T360 will help LACERA staff collect, retain, and process investment-related data and legal transactions. With T360's framework of replication and backup of data to a geographically disparate recovery site, staff is assured that retrieval of data is a matter of opening a browser anywhere.

VENDOR EVALUATION PROCEDURE

The identification of T360 as the recommended vendor represents the culmination of a cross-divisional collaboration covering several stages over 15 months. The KMS team, which consisted of staff from Legal, Investments, and Systems Divisions, reviewed over 70 potential vendors, attended 23 live demonstrations, and advanced five semi-finalist vendors to perform live system demonstrations. At each step, the KMS team evaluated and scored the vendors in three areas (with overall weightings noted): Features and Functions (60 percent), Training and Support (15 percent), and Cost (25 percent).

After the last round of scoring, the KMS team selected two vendors. Staff interviewed current users of both of the vendor's systems to determine applicability to LACERA's intended use. We asked each reference the same questions in five broad categories: 1) purpose of the system, 2) use of software, 3) user interface experience, training and support experience, 4) function and features, and 5) remote or mobile access experience.

While both vendors' reference checks were positive, T360's references were more relevant to LACERA intended uses and included Los Angeles County Counsel. Because T360 has current users with very similar workflows and processes as LACERA, staff gained additional confidence in T360 as the vendor of choice.

Timeline

Over the past year, the KMS team met every two weeks and then weekly to produce the features list, discuss vendors, review progress to date, and go over system needs. The team also participated in numerous demonstrations by vendors at LACERA and remotely via web meetings.

The proposed KMS implementation timeline going forward, based on April 2019 Committee approval, would have onboarding complete and the system up and running by the end of Q4 2019. Please review **Attachment C** for a detailed procurement policy discussion.

Search Results: The assessment of organizational needs, draft of a charter, resource pooling among teams, time commitment across divisions, extent of price negotiations, and development of minimum requirements are equal to or exceed those of a traditional RFP.

LACERA's approach has been to identify stable, financially sound firms with a customer base similar to LACERA's that are using software functions consistent with LACERA's needs and requirements, at a cost within LACERA's budget. The process has been open and transparent, and has resulted in the selection of a vendor that can fulfill the unique needs of LACERA's Legal and Investments Divisions.

SUMMARY

A cross-divisional team from Legal, Investments, and Systems identified business needs related to information management, developed business requirements, evaluated over 75 systems, and ultimately determined that T360 best meets LACERA's needs. T360 will integrate with existing LACERA technology, enabling the Investments and Legal teams to utilize the T360's proven technology to modernize our workflows and increase productivity.

Adoption of T360 software will help LACERA achieve four of the five strategic goals outlined at the January 2019 Board Offsite Meeting: enhance fund sustainability; reduce complexity; create a risk-intelligent organization; and encourage a high-performing team and diverse workforce. This will be the first major technological purchase in furtherance of the Mission, Vision, and Values discussed at the Offsite.

RECOMMENDATION

It is therefore recommended that the Operations Oversight Committee recommend that the Board of Retirement approve the selection of Wolters Kluwer's TyMetrix T360° as the enterprise-wide KMS vendor. The BOR approved \$150,000 for KMS software in the FY 2018-2019 budget.

Attachments

KNOWLEDGE/MATTER MANAGEMENT SYSTEM - PROJECT CHARTER

- I. Background and Description
 - A recommendation from the 2015 audit of Private Equity was for Investments to consider implementing a Client Relations Management (CRM) system to manage and maintain information related to LACERA’s private equity partnerships, as well as other asset classes. The system was meant to address inconsistent capture and maintenance of data, reducing the risk of lost knowledge due to employee turnover.
 - The Legal Division began its search for matter/entity management software in 2016 to support its work with Investments. There is significant overlap in workflow between the divisions. Utilizing the same software is ideal.
- II. Project Objectives
 - Select a knowledge/matter management system that facilitates consistent knowledge capture, matter management, and sharing of the most critical elements of workflow processes within and across divisions.
 - Select the software that has the desired functions with:
 - An intuitive, user-friendly graphical interface
 - Ongoing training and support
 - Easy export (with file hierarchy maintained) if LACERA decides to change systems
 - A financially sound company
- III. Success Criteria
 - Successful implementation and adoption by intended users
 - The retirement of other systems
 - Stakeholder objectives met
- IV. Project Sponsors and Key Stakeholders
 - Jonathan Gabel, CIO
 - Steven Rice, Chief Legal
 - James Brekk, Systems
- V. Investments Division Business Requirements (for which we plan on using the new KM system)

KM BUSINESS REQUIREMENTS	
Category	Description/Example
Knowledge Capture and Sharing	If a manager or consultant has a conversation with one person on the team, the information should be captured for future reference and to be able to share with the rest of the team.
Business Intelligence / Relationship Re-Conceptualization	<ul style="list-style-type: none"> • Lead management: fund life cycle with timing, amounts, strategy, and geography • Detailed information and history on contacts and firms enables relationship life-cycle management, moving away from transactional view

ATTACHMENT A – KMS PROJECT CHARTER

Knowledge Storage and Retrieval	Centralized, remotely accessible, and searchable data warehouse of marketing materials, legal documents, financial reports, and meeting notes, complete with email integration To further specify types of content: <ul style="list-style-type: none"> • Ongoing quarterly reports from managers • Research (on risk parity) from 3d parties deposited by anybody on staff
	Email capture, archiving, and integration into the CRM; ability for staff to prioritize; and ability to automatically route emails coming in on general accounts, eliminating manual uploading
Reporting/Dashboards	Functions should allow us to report statistics on funds in due diligence (workflow monitoring), meetings, and calls.
Contact Management	Centralized searchable contacts at firms, vendors, and consultants accessible to the entire team. Currently everyone maintains their own contact list, because there's no integrated, searchable database.
Workflow Management / Activities	Ability to recall who attended a manager meeting or conference, or visited a property; presentations given; staff notes; and others in attendance (e.g., staff, trustees, consultants)
	RFP processes: how to leverage the system to simplify the flow and sharing of information; mapping of progress; contract compliance; wire transfers; and document editing

VI. Project Team Definitions

- Legal Division
 - John Harrington
 - Christine Roseland
 - Cheryl Lu
 - Margo McCabe
 - Lisa Garcia
 - Irene Ballestero
 - Teresa Martinez
- Systems
 - Cookie Jaranilla
 - Alex Yin
 - Tony Soto
- Investments
 - Jeff Jia
 - Trina Sanders
 - Esme Del Bosque
 - Kevin Bassi
 - David Simpson
 - Melissa Mooc

ATTACHMENT A – KMS PROJECT CHARTER

- VII. Assumptions and Constraints
 - Adequate financing committed across the enterprise
 - Systems staff in place to support process
- VIII. Project Constraint Priorities
 - Must be web-based
 - Systems data security approval
 - No contingencies
- IX. Risks / Issues
 - Systems staffing
 - Budget
 - Low adoption rate
- X. List of Product Features
 - In Scope
 - Document management, versioning
 - Full-text search, including metadata
 - Content management
 - Data management
 - Collaboration
 - Contact management
 - Integration
 - Decision support
 - Data warehousing, data mining
 - Security
 - Access rights
 - Workflow processes, automated sequences (with internal and external parties)
 - Cloud-based access
 - Reporting
 - Invoice integration with outside lawyers
 - User-level usage data
 - Data integrity preserved
 - Out of Scope
 - Discussion boards
 - FAQ
 - AI tools
 - Intranet
 - Extranet
- XI. Scoring/Ranking
 - Legal and Investments to prioritize functions
 - Use a scoring system to rate and rank vendors
- XII. Implementation Methodology
 - Modules phased in; development is driven by feedback and usage
- XIII. Cost Estimates / Budgets
 - \$75,000 in each of Investments and Legal Systems Budgets for FY 2018-2019
- XIV. Project Tools
 - Vendor evaluation matrix

ATTACHMENT A – KMS PROJECT CHARTER

- XV. Critical Success Factors
 - System functions
 - Data/document migration quick, seamless
 - User adoption/cultural and behavioral fit
- XVI. Communication Agreement
 - Meeting minutes
 - Vendor evaluations
 - Quarterly update to sponsors and key stakeholders
- XVII. Target Dates / Milestones
 - June 1, 2018: Semi-finalists selected for scripted demonstrations
 - October 30, 2018: Finalist selected, sandboxing scheduled
 - March 14, 2019: KM/MM vendor selected, the contract negotiated and approved
 - June 30, 2019: Technical implementation
 - Data migration completed
 - Documentation
 - December 31, 2019: First phases of implementation and training completed
 - KMS – Project Timeline as of Q1/2019 – Refer to Chart 1

SYSTEMS VENDOR/PRODUCT EVALUATION

Prospecting Questions

Team members fielded the following questions in prospecting eligible companies. Those that satisfied them were deemed worthy of further evaluation:

- Longevity: How long has the company been in this business? How many large national or international customers do you have? What is the ownership structure? What is your annual revenue overall and from this platform?
- Is the software infrastructure U.S.-based? Are technical support and development (core competencies) all U.S.-based?
- Do you use third-party developers?
- Data security: Is the data stored in the U.S.? Do you have an SOC-2? Are you able to complete LACERA's IT Security Controls questionnaire?
- Is the platform stable and secure? What is the current version number? How many years has the current version been in use?
- What is the data infrastructure: on-premise, cloud, or hybrid?
- Does the software have any dependencies like Java? Do you use a plug-in? If so, are they required to operate the system?
- Is the back-end system based upon SharePoint or another software, or is it proprietary?

Tier 1 Short List

Systems required Tier 1 respondents to answer a 75-point technical questionnaire (**Attachment C**) that touched on:

- Product Profile
 - U.S.-based software infrastructure, data storage, and provisioning
 - Use of third-party developers
 - Availability of SOC-2 audit reports
 - Software release history and roadmap
- System Capabilities
 - Client software dependencies on Java and plug-ins
 - Software back-end platform
 - User access controls/access rights
 - Remote access/mobile access/data storage
- Project Cost
 - Design and implementation
 - Software and licensing
 - Support and maintenance
- Project Implementation
 - Timeline

ATTACHMENT B – VENDOR AND PRODUCT EVALUATION

- Data migration
- Resource requirements

Tier 2 Finalists

The two most viable vendor/products, Walters Kluwer's TyMetrix 360° and Hyland Onbase 18, were further evaluated through:

- Additional technical questionnaires that requested:
 - Clarification of each application's ability to collaborate, provide user statistics, integrate with SharePoint, and have out-of-the-box eBilling and the capability to integrate with MS Dynamics GP2016
 - Clarification on Konica Minolta's VAR relationship with Hyland, its value, why them, manufacturer vs. reseller support, maintenance complications, and application automation capabilities
- SaaS platform and licensing assessment of each application
 - This evaluation exposed real and operational licensing relevant to LACERA's intended use that led to a significant pricing value determination between the two competing products.
- Scope determination of out-of-the-box user configurable workflow vs. custom workflow requiring professional services
- Training pre- and post-implementation clarification
- Best and final offer: With the subscription fee, workflow, and training requirements clarified, vendors were requested to apply all discounts and government pricing schedules for a best and final price.
- SOC-2 audit reports for the current and previous year of application vendor and cloud hosting third party. Internal Audit, Systems, and Legal reviewed the reports. Staff required the vendor to provide a certified management response on all audit findings. The team also examined previous vs. current year reports for consistency.

Recommended Vendor/Product System Architecture Review

James Brekk reviewed the following systems architecture items of T360:

- What platform is the application built and written on?
- Where is application development housed, and is it wholly owned?
- How are application change control and deployment performed?
- State Wolters Kluwer's (WK) software development team process and frequency for malicious code review, static/dynamic code analysis, penetration/ethical hacking tests, and network scans
- State-compatible browsers tested and certified, as well as upcoming browser standards in development
- What presentation layer is the application designed on, as well as plans for upcoming standards?
- Are java applets used?

ATTACHMENT B – VENDOR AND PRODUCT EVALUATION

- How does WK prevent and mitigate multi-tenant data leakage?
- Is CDN (content delivery network) service used for caching static non-client specific content and optimal dynamic route optimization for good web content performance?
- What does your hosting service specifically provide? What is the responsibility demarcation between your host and WK's?
- Do you plan on extending to the Azure cloud?
- How often is a replication of data performed between your primary and secondary hosting sites?
- Is data at rest encrypted?
- How is your T360 Outlook plug-in (LegalCentre) deployed? Do you use signed MS installers? Is the communication coming out of the plug-in secured? Can static IP addresses be established to static endpoints where the plug-in resides? Is the plug-in tested and verified with Outlook 2016?
- Do you have a plug-in that will work for Outlook desktop as well as with the web O365 version?
- What is the roadmap for the SmartAssist application?
- Can user access be configured, monitored, and reported on directly by the user administrator through the T360 web client?
- Are constraints or checkpoints for unusual access activities in traffic volume available?
- State the process of getting LACERA's data back from WK and what it involves.
 - Does your contract include legal language to cover:
 - Client exit strategy?
 - Acceptance and review of backup data?
 - Regularly receiving a copy of the databases on a bi-monthly basis?

VENDOR PROCUREMENT POLICY DISCUSSION

Vendor Selection Process

The BOR Policy directs staff in the process of selecting a vendor and providing a recommendation. Solicitations affecting administrative and operational activities require approval by the Operations Oversight Committee with the results and recommendations advanced to the BOR for adoption.

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

Procurement procedure: Normally staff would solicit firms through the standard RFP process. However, the Policy permits "a sole source solution" under "exceptional circumstances." There are at least three identifiable exceptional circumstances applicable to the KMS search:

1. A vendor with unique or value-added qualifications.

Staff determined that an RFP would limit its ability to identify and select vendors with specific value-added features. An RFP would limit respondents to those who routinely propose to government agencies. The result would not provide a broad selection of potential vendors and would add the burden of requiring staff to review proposals and rank vendors that do not fit LACERA's needs. The team spent over a year identifying and evaluating systems; this length of time would be untenable in an RFP process.

The thorough progression of steps helped staff identify a KMS capable of handling both Investments' and Legal's needs. Staff was able to source and identify T360's unique business-critical features and value-added qualifications as a result of the process identified above.

2. A vendor recommended by a knowledgeable third party, consultant, or LACERA business partner.

Part of the selection process staff used was to identify significant, sustainable companies with proven track records that offer products acceptable to all stakeholders. The Tier 1 requirements were sponsor-driven to ensure the selection of a high-quality vendor. Staff only interviewed existing financial industry and government users of KMS vendors that passed Tier 1 and Tier 2 requirements.

T360 has excellent references, including Los Angeles County Counsel, PNC Bank, and the City of Santa Barbara. Each user indicated that they would recommend the software to LACERA. They all derive value from T360's solution.

3. The need to expose LACERA's business critical systems and functions to vendors.

A final exceptional circumstance is the need to expose LACERA's business critical functions and systems to vendors. This need comes from the requirement to ensure that the software meets LACERA's system architecture and business critical workflows. Staff

ATTACHMENT C – VENDOR PROCUREMENT POLICY DISCUSSION

determined that it is not in LACERA's best interest to publish the system architecture and workflows in an RFP. A public RFP, for this reason, would not permit the kind of diligence required by both parties to accurately assess system requirements and access to ensure a proper fit.

Software Purchasing Requirements: LACERA's purchasing procedures require the full knowledge, direction, and consent of LACERA's Systems Division for procurement of information technology products and services. This requirement ensures compatibility with LACERA's current technology environment and compliance with LACERA's Information Technology budget for FY 2018-2019.

The Systems Division has been involved in the KMS search since the project initiation. Designated technical staff has helped with vendor evaluation and selection activities. Their work has narrowed the possible candidates that are compatible with LACERA's systems, and Information Systems Manager James Brekk performed an in-depth system architecture review to ensure that T360 is compatible with LACERA's system.

Knowledge/Matter Management System Vendor Selection

Operations Oversight Committee

April 11, 2019



Lou Lazatin, CEO
David Simpson – Investments
Christine Roseland - Legal
John Harrington – Legal
Cookie Jaranilla – Systems

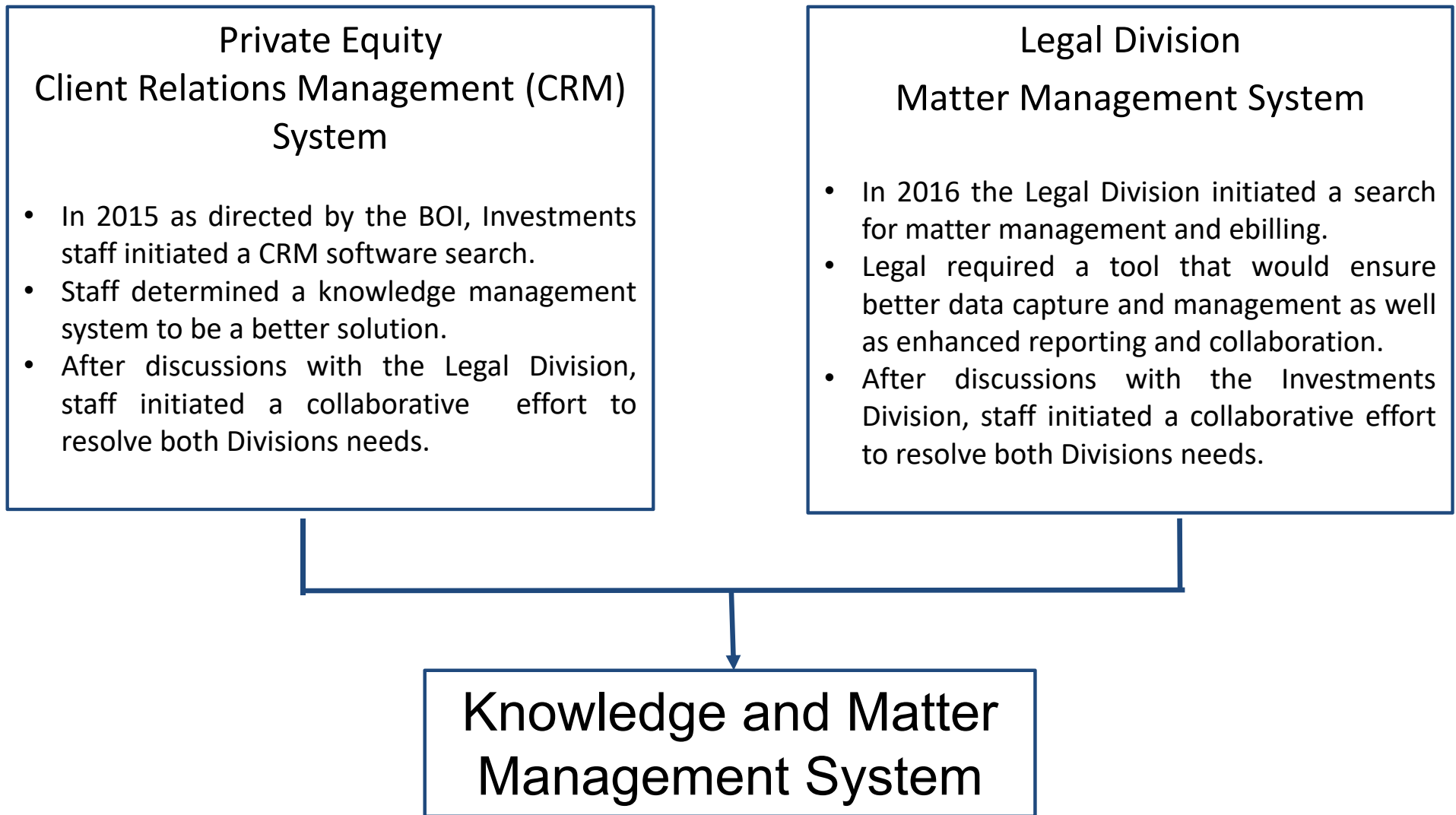
LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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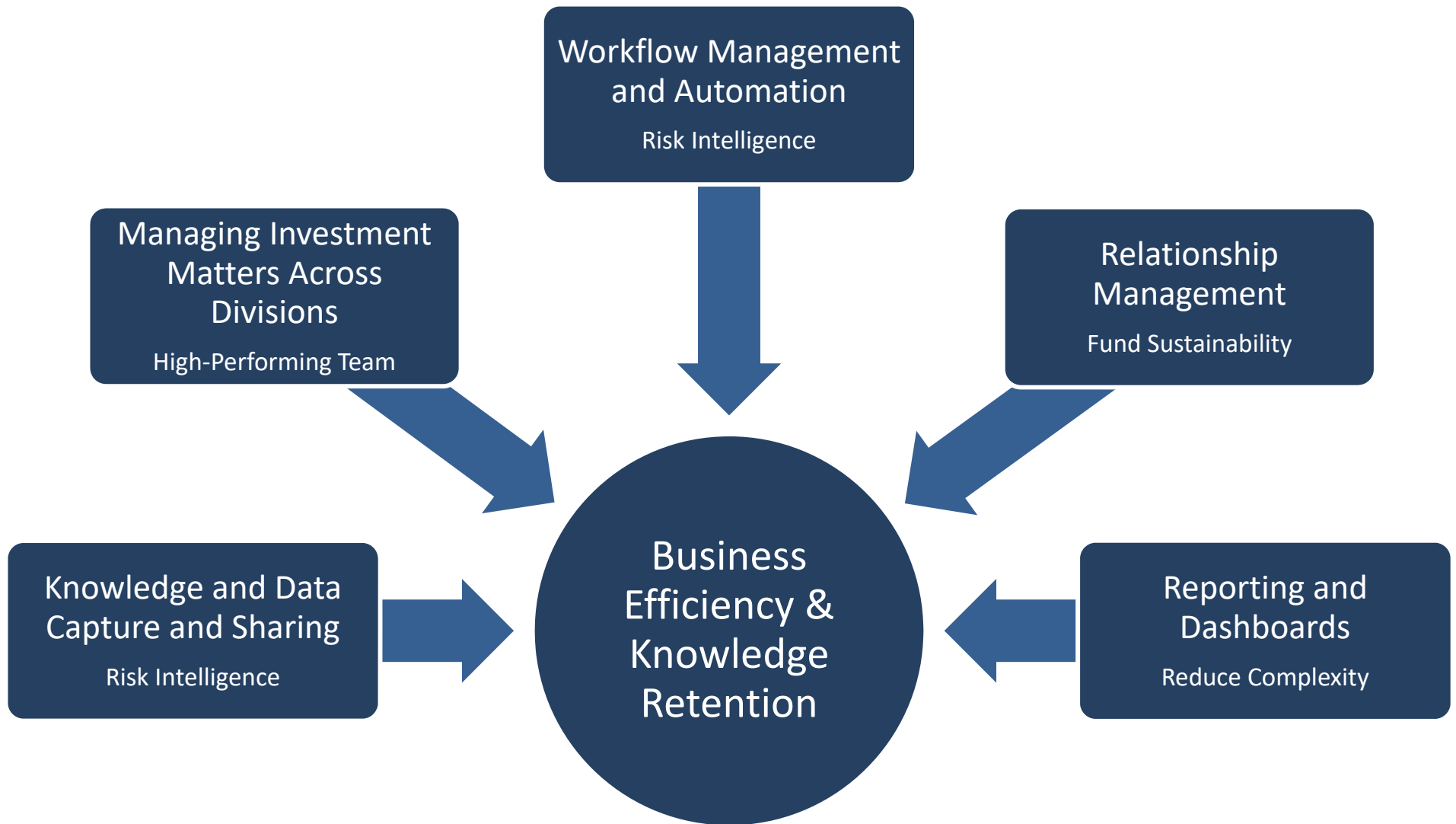
- I. Background
 - II. Project Purpose and Benefits
 - III. Vendor Selection Criteria
 - IV. Vendor Procurement 18-Month Process
 - V. T360 Advantages and Considerations
 - VI. Prospective Next Steps and Timeline
 - VII. Conclusion
- Appendix A: T360 References



I. Background



II. Project Purpose and Benefits



III. Vendor Selection Criteria

Knowledge/Matter Management System Vendor Evaluation

	Feature Category	Konica Minolta OnBase	Wolters Kluwer Tymetrix360
Tier 1 Must be "Yes" to proceed to categories below	Security	Y	Y
	Company Profile	Y	Y
	Systems Sign-off	Y	Y
	User access controls/access rights	Y	Y
	Remote access/mobile access/cloud storage	Y	Y
Tier 2	Feature Category	Konica Minolta OnBase	Wolters Kluwer Tymetrix360
60% - Features & Functionality		42	49
15% - Training & Support		11	11
25% - Cost	Year One	\$317,696	\$113,200
	Projected Annual Cost	\$143,442	\$83,450
	Subtotal	15	25
Grand Total		68	84

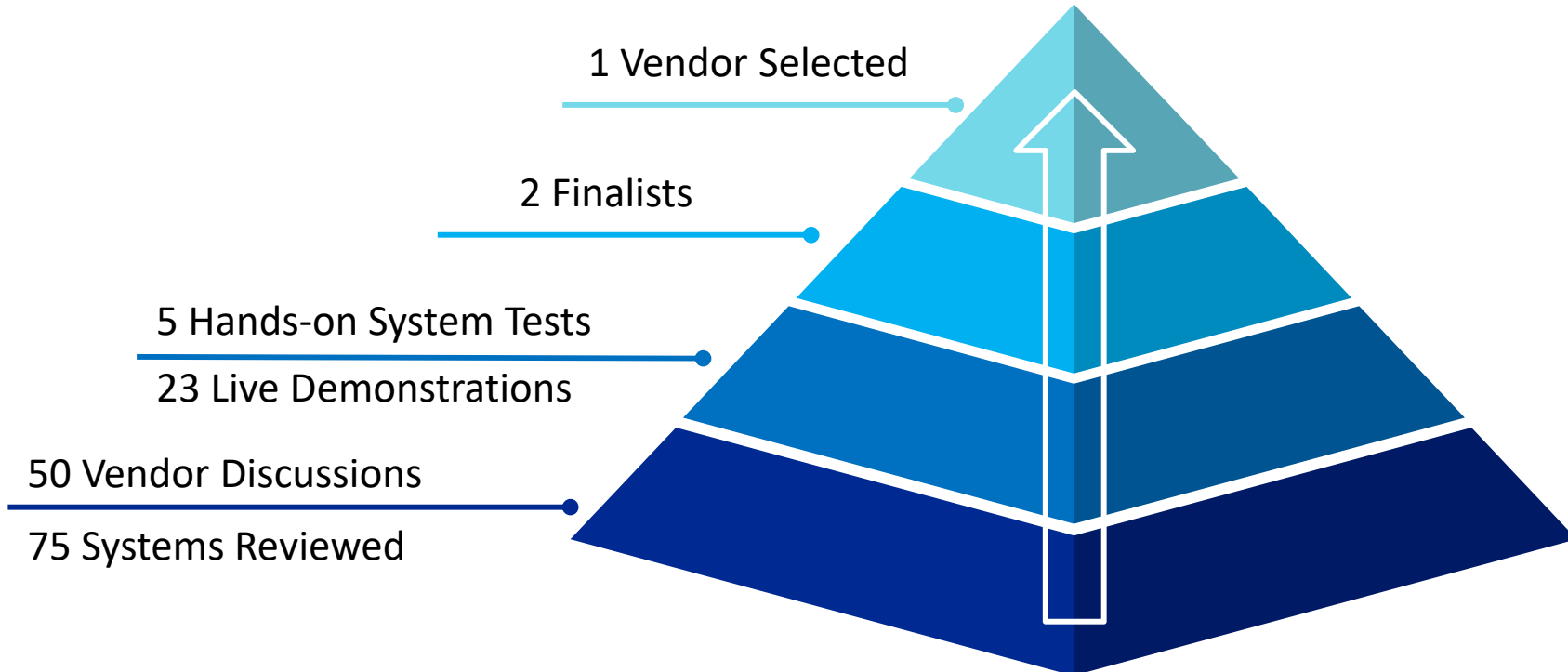
Grand Total represents the total score from the cross-functional team.



IV. Vendor Procurement 18-Month Process

Exceptional circumstances supporting a sole source solution:

1. A vendor with unique or value-added qualifications
2. A vendor recommended by a knowledgeable third party, consultant or LACERA business partner
3. To minimize exposing LACERA's business critical systems



LACERA's Critical Business Systems

- LACERA's Systems Division required a detailed vendor evaluation prior to discussing system architecture and compatibility in order to make a recommendation.
- Vendors were required to respond to a 75 point technical questionnaire. To pass Tier 1.
- Systems had more in depth technical questions for Tier 2 finalists to ensure compatibility with LACERA's systems and to obtain a deeper understanding of how the system will operate.
- Finally Systems helped determine the finalist by analyzing application platform ownership, data leakage, hosting, encryption, and ownership, and browser plug-in security.

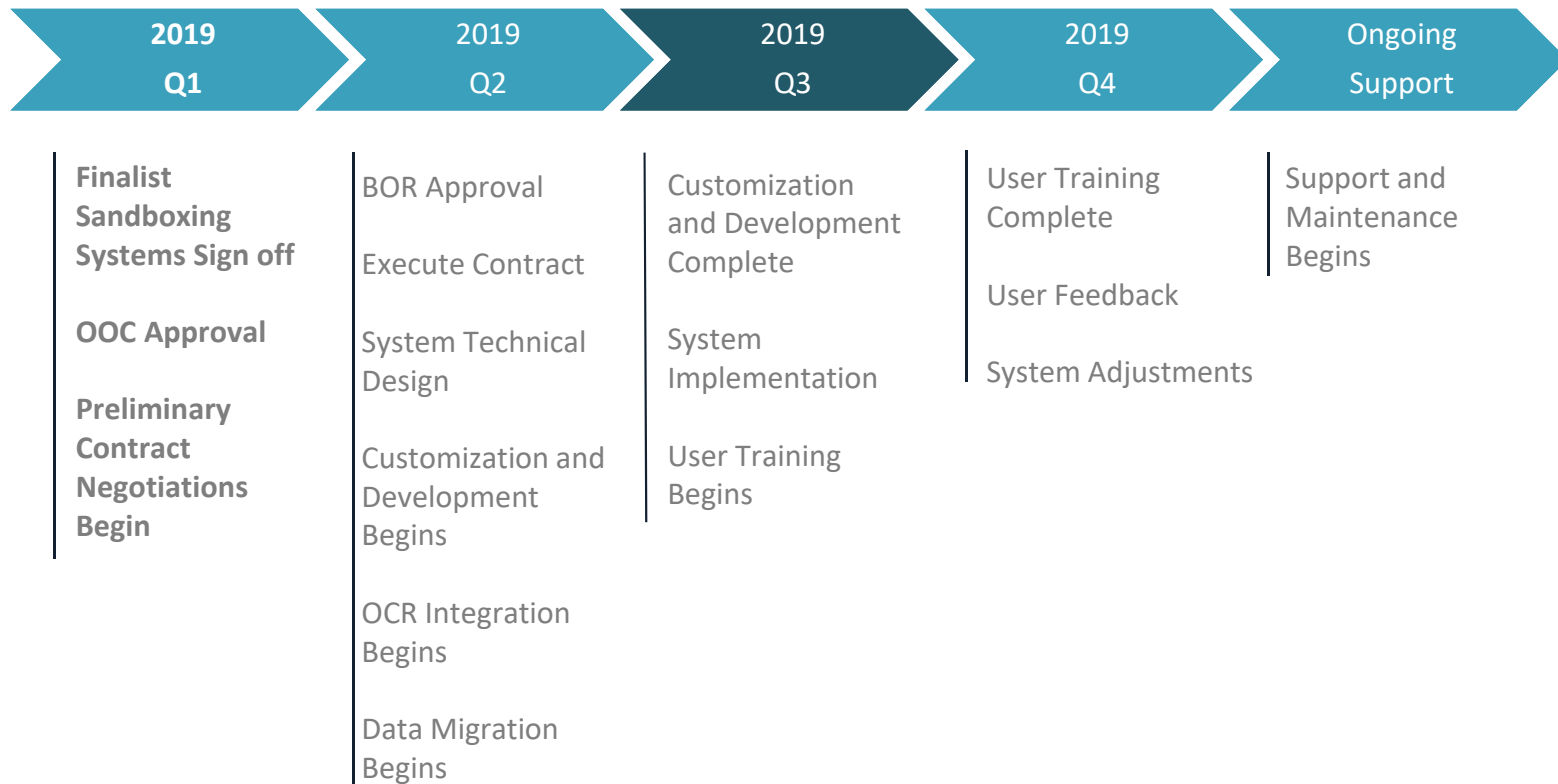
V. T360 Advantages and Considerations

Advantages	Considerations
<ul style="list-style-type: none">• User Friendly Interface• Real Time Analytics and Reporting• Outlook Integration• Document and Contract Management• Automated Workflows• Customer Service Satisfaction	<ul style="list-style-type: none">• Need to integrate OCR application• Data hosted at 3rd party vendor

See Appendix B for in-depth T360 features and benefits.



VI. Prospective Next Steps and Timeline



VII. Conclusion

Summary: KMS will help LACERA achieve four of the five the strategic goals outlined at the January, 2019 Board Offsite Meeting.

- Fund sustainability
- Reduce complexity (simplify, simplify, simplify)
- Create a risk-intelligent organization
- Encourage a high-performing team and diverse workforce

Recommendation: The Operations Oversight Committee recommends that the Board of Retirement (BOR) approve the selection of Wolter Kluwers' TyMetrix 360[®] (T360) as the enterprise-wide Knowledge and Matter Management System (KMS) vendor. The BOR approved \$150,000 for KMS software in the FY 2018-2019 budget.

T360 Knowledgeable Party References

- County of Los Angeles – County Counsel uses T360 ebilling to automate their payment to outside counsel and vendors.
- PNC Bank – a large national bank with 2,459 branches. PNC uses T360's matter management to run their mortgage lending program with collaboration of in-house legal.
- TPG Capital – Private Equity Firm exclusively using T360 for matter managements, billing, and knowledge management, compliance and audits. *Note: LACERA is an Limited Partner in several TPG funds.*
- City of Santa Barbara – Citywide use, all Departments. Santa Barbara utilizes T360 for their city operations, streets program, Agenda, and Minutes.

April 17, 2019

TO: Each Member,
Board of Retirement

FROM: Operations Oversight Committee

FOR: May 1, 2019 Board of Retirement Meeting

SUBJECT: Teleconference Meeting Policy

RECOMMENDATION

That the Board of Retirement approve the Teleconference Meeting Policy.

LEGAL AUTHORITY

The Board of Retirement has plenary authority over administration of the system (Cal. Const., art. XVI, § 17), which includes the ability to formulate policies, such as the Teleconference Meeting Policy proposed here, to facilitate and manage the conduct of the Board's business. Under the Board of Retirement Standing Committee Charters, the Operations Oversight Committee (OOC) had initial authority to consider and recommend the proposed policy because it is a matter of "Enterprise Governance." (Charter, Section I.1.6.)

DISCUSSION

A. Teleconference Meetings Under the Brown Act.

The Brown Act, Cal. Gov't Code §§ 54950 *et seq.*, was enacted in 1953. The Act was originally conceived and built around the concept of open and public in-person meetings as the required means of ensuring transparency in conducting the public's business.

In 1994, the Brown Act was amended to permit video conferencing subject to certain conditions and protections. In 1997, the provision was extended to permit audio and video conferencing, both of which are now included in the definition of "teleconferencing." Cal. Gov't Code § 54953(b).

Section 54953(b) provides in full as follows:

(b) (1) Notwithstanding any other provision of law, the legislative body of a local agency may use teleconferencing for the benefit of the public and the

legislative body of a local agency in connection with any meeting or proceeding authorized by law. The teleconferenced meeting or proceeding shall comply with all requirements of this chapter and all otherwise applicable provisions of law relating to a specific type of meeting or proceeding.

(2) Teleconferencing, as authorized by this section, may be used for all purposes in connection with any meeting within the subject matter jurisdiction of the legislative body. All votes taken during a teleconferenced meeting shall be by rollcall.

(3) If the legislative body of a local agency elects to use teleconferencing, it shall post agendas at all teleconference locations and conduct teleconference meetings in a manner that protects the statutory and constitutional rights of the parties or the public appearing before the legislative body of a local agency. Each teleconference location shall be identified in the notice and agenda of the meeting or proceeding, and each teleconference location shall be accessible to the public. During the teleconference, at least a quorum of the members of the legislative body shall participate from locations within the boundaries of the territory over which the local agency exercises jurisdiction, except as provided in subdivision (d). The agenda shall provide an opportunity for members of the public to address the legislative body directly pursuant to Section 54954.3 at each teleconference location.

(4) For the purposes of this section, "teleconference" means a meeting of a legislative body, the members of which are in different locations, connected by electronic means, through either audio or video, or both. Nothing in this section shall prohibit a local agency from providing the public with additional teleconference locations.

In summary, Section 54953(b) establishes the following requirements for a teleconference meeting:

- Teleconferencing may be used for all purposes during any meeting.
- At least a quorum of the members must participate from teleconferencing locations within the legislative body's jurisdiction, which in LACERA's case is Los Angeles County.

- Each teleconference location must be identified in the notice and agenda of the meeting.
- Agendas must be posted at each teleconference location.
- Each location must be accessible to the public. As a side note on accessibility, Section 54953.2 requires that all public meetings, which includes both in person and teleconference meetings, “shall meet the protections and prohibitions contained in Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132), and the federal rules and regulations adopted in implementation thereof.” The ADA addresses issues of access and communication disabilities, and requires appropriate physical accessibility and auxiliary communication aids or services.
- The agenda must provide the opportunity for the public to address the legislative body directly at each teleconference location.
- All votes must be by rollcall.

California law also requires in the Dymally-Alatorre Bilingual Services Act, California Government Code Sections 7290 - 7299.8, that a local agency servicing a “substantial number of non-English-speaking people shall employ sufficient bilingual persons or interpreters to “ensure provision of information and services” (which includes public hearings or other public activity) in such persons’ languages. The local agency is given discretion in the Act to determine what constitutes a “substantial number of non-English speaking people.” Written materials shall also be translated, but the Act leaves the determination of “when these materials are necessary when dealing with the local agency” to the local agency itself.

There is no limitation in Section 54953(b) as to where in the world a teleconference location may be noticed. Accordingly, teleconference locations anywhere in the United States or internationally are permitted provided they are accessible to the public and the other requirements of Section 54953(b) are satisfied. The right of the local community to attend and participate is protected by the provision of Section 54953(b) that requires at least a quorum of the legislative body’s members must participate from locations within the body’s jurisdiction. For LACERA, this provision means that a quorum of board members must participate from locations in Los Angeles County.

Section 54953(b) itself does not give any member the right to participate by teleconference. Therefore, a legislative body may enact policy governing the use of

teleconference meetings. Nevertheless, a California Attorney General addressed the issue of whether a disabled member had a right to participate in meetings by teleconference under the Americans with Disabilities Act (ADA). 84 Ops.Cal.Atty.Gen. 181 (2001). In that opinion, the Attorney General opined the member did not have a right to participate under the ADA because the location in question was not open to the public. While a full examination of the rights of disabled members is beyond the scope of this memo, it is important to keep this issue in mind in determining whether a member should be allowed to participate by teleconference.

B. The Proposed Teleconference Meeting Policy.

At its April 11, 2019 meeting, the OOC reviewed and commented upon the proposed policy, including requesting that revisions be made, and voted to recommend the policy to the Board. (Messrs. Kehoe, Kelly, and Walsh voted yes; Mr. Robbins voted no.) The attached proposed policy includes the OOC's changes. The proposed policy is based on the principle that in person meetings are the most effective because they provide a public environment in which Board members may transparently interact with each other as a group in one place to hear presentations, deliberate, and act. This principle is the foundation of the Brown Act as noted above. Teleconference meetings are less transparent to the public because the members are not all in one place to be observed. Teleconference meetings also create a different, more challenging environment for the Board members themselves because of the inability to see, clearly hear, and otherwise personally interact with other members, presenters, and public participants.

It follows from these considerations that teleconference meetings should be held rarely and in limited circumstances.

The proposed policy provides that teleconference meetings will be permitted only in "unusual and material circumstances," which are defined to include unusual personal circumstances, such as health, family, or other personal considerations, and any meeting that will involve discussion and/or action on matters of sufficient importance to LACERA that participation by teleconference must be allowed to avoid risk to LACERA or to the performance of the fiduciary duty of the Board and its trustees. The policy provides examples of such circumstances, including personnel and vendor issues, claims and litigation, and emergencies and business continuity. Ordinary personal convenience alone is not sufficient.

The policy provides for any member to request advance Board approval of a teleconference meeting request if there is sufficient time for such a request to be heard by the Board before the proposed teleconference meeting. The policy also provides

that, if, based on good cause, there is genuinely and reasonably not enough time to agendaize a request for the full Board, the Board Chair has discretion to grant or deny approval. This approach places the onus on each member to monitor their personal schedules so as to notice a teleconference meeting request for Board action if there is time. However, the policy provides flexibility for Chair action when, with good cause, there is not enough time for Board action.

The policy lists the teleconference meeting procedures that must be followed to comply with the Brown Act. The policy also provides for the recognition of disabilities by members and members of the public as required by the ADA under the Brown Act as well as bilingual services as required by the Dymally-Alatorre Act. These procedures will be the same as currently provided for in person Board meeting. Finally, the policy provides for review at least every three years.

CONCLUSION

For these reasons, the OOC recommends that the Board of Retirement approve the Teleconference Meeting Policy.

Attachment

c: Lou Lazatin
JJ Popowich
Jonathan Grabel
Steven P. Rice

BOARD OF RETIREMENT
TELECONFERENCE MEETING POLICY

A. Statement of Purpose.

In order for Members of the Board of Retirement to participate most effectively in Board and committee meetings, the Board finds that members should be personally present. Personal attendance provides Members with the most effective means to interact with each other, staff, members, and other presenters, enhances receipt of information, deliberations, decision-making, and public transparency, and furthers the performance of each Member's fiduciary duty and the fiduciary duty of the Board as a whole. The Board finds that attendance at Board and committee meetings should generally take precedence over any other LACERA business by Members.

The regular Board meeting schedule is set according to the Board's Regulations, providing for regular monthly meetings on the first Wednesday and the Thursday after the second Wednesday of every month. This schedule, unless changed by Board action, provides certainty to Members in planning to attend Board and committee meetings. Changes in the regular schedule are by vote of the Board, thereby providing an opportunity for Member's to adjust their schedules to attend Board and committee meetings. Special meetings may occasionally be noticed without Board vote.

When Members are absent from any Board or committee meeting, they do not have a right to participate via teleconference, subject to Section C.5 below. However, the Ralph M. Brown Act, Government Code Section 54953(b), permits teleconference meetings in accordance with its terms. The purpose of the policy is to set forth a policy concerning the use of teleconference meetings by the Board of Retirement and its separate committees.

B. Definition.

For purposes of this policy, "teleconference" has the same meaning set forth in Government Code Section 54953(b)(4), which is "a meeting of a legislative body, the members of which are in different locations, connected by electronic means, through either audio or video, or both."

C. Teleconference Meeting of the Board of Retirement.

1. *When A Teleconference Meeting May Be Held.*

Teleconference meetings of the Board of Retirement shall not be held except in unusual and material circumstances, which are defined to include, but are not limited to, health, family, or other personal issues and any meeting that will involves discussion and/or action on matters of sufficient importance to LACERA that participation by teleconference must be allowed to avoid risk to

LACERA or to the performance of the fiduciary duty of the Board and its trustees, including personnel and vendor issues, breach of security, breach of privacy, and fraud, claims and litigation, and emergencies and business continuity. Ordinary personal trustee convenience is not sufficient justification by itself for a teleconference meeting.

2. *Member Request, and Advance Board Action.*

Members shall plan in advance to determine if they will be absent from a meeting. If a Member will be absent from a future Board meeting for reasons that meet the criteria of Section C.1 or knows of an absence by another Member or Members, the Member may agendaize a request for a future teleconference meeting for advance Board discussion and action by contacting the Executive Board Assistant to the Board in writing no later than noon of the fifth working day prior to any regularly scheduled or special meeting of the Board and specify the reason for the request within the meaning of Section C.1 and the proposed teleconference method and location. A timely request in accordance with the preceding sentence shall be agendaized for Board discussion and action at the next Board meeting. If the Board approves the request, the requested future meeting shall be noticed as a teleconference meeting.

3. *Chair Determination.*

If, for good reason, there genuinely and reasonably is not enough time to agendaize a teleconference meeting request for advance discussion and action by the full Board under Section C.2, the Chair of the Board, or the Vice Chair if the meeting concerns the Chair, may determine to agendaize a teleconference meeting subject to the criteria in Section C.1 and decide the teleconference method and location. The Chair or Vice Chair shall act fairly and consistently in making such decisions.

4. *Meeting Procedure.*

If a teleconference meeting is approved, it shall be agendaized and conducted in accordance with the provisions of Government Code Section 54953(b) and all other applicable provisions of the Brown Act and other law, including but not limited to:

- a. Each teleconference location shall be identified in the notice and agenda for the meeting
- b. Each teleconference location shall be accessible to the public, including compliance with all applicable access, communication, and other relevant requirements of Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132), and the federal rules and regulations adopted in

implementation thereof, in the same manner as such requirements are complied with for a meeting at LACERA's offices. A teleconference location may be located anywhere in the world. Arrangements shall be made such that all proceedings are fully audible by speaker at the teleconference location to all persons who attend at that location.

- c. The agenda for the teleconference meeting shall be posted at all teleconference locations.
- d. The agenda shall provide an opportunity for members of the public to address the Board directly at each teleconference location on any subject matter within LACERA's jurisdiction, subject to Government Code Section 54954.3.
- e. During the teleconference meeting, at least a quorum of the members of the Board shall participate from locations in Los Angeles County.
- f. All votes at a teleconference meeting shall be by rollcall.
- g. Bilingual services required by the Dymally-Alatorre Bilingual Services Act, California Government Code Sections 7290 - 7299.8, will be provided at the teleconference meeting location in the same manner as such requirements are complied with for a meeting at LACERA's offices.

5. *Disability.*

In the event of Board Member disability, efforts shall be made to accommodate the Member if they desire to attend by teleconference, provided that the procedures for the meeting stated in Section C.4, including that the teleconference location be accessible to the public, must still be followed.

D. Teleconference Meetings of Board of Retirement Committee Meetings.

Teleconference meetings shall not be held for meetings of standing committees of the Board of Retirement.

E. Exclusions.

This policy does not apply to meetings of joint committees of the Board of Retirement and Board of Investments, which are subject to the terms of each joint committee's charter.

F. Review.

This policy shall be reviewed by the Board of Retirement at least every three years.

Approved by the Board of Retirement: _____, 2019

April 22, 2019

TO: Each Member
Board of Retirement

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

FOR: May 1, 2019 Board of Retirement Meeting

SUBJECT: **Senate Joint Resolution 3—Social Security**

Author: Wilk [R]
Sponsor: Author-sponsored
Introduced: March 4, 2019
Status: Re-referred to SENATE Committee on LABOR, PUBLIC EMPLOYMENT AND RETIREMENT (03/14/2019)

Staff Recommendation: Support

RECOMMENDATION

That the Board of Retirement adopt a “Support” position on Senate Joint Resolution 3, which would request the Congress of the United States to enact, and the President to sign, legislation that would repeal the Windfall Elimination Provision and Government Pension Offset from the Social Security Act.

LEGISLATIVE POLICY STANDARD

The Board of Retirement’s legislative policy standard is to support proposals that have a positive impact upon LACERA’s members (page 6). In addition, the Board Policy on Engagement (pages 2-3) provides that the Board has a full range of positions that may be lawfully taken to further Board objectives, including preventing adverse impact upon existing rights and interests. SJR 3 would urge the repeal of the Windfall Elimination Provision and the Government Pension Offset, which reduce or eliminate the Social Security benefits that LACERA members may have earned through service with the County of Los Angeles before January 1, 1983 (the effective date that the County withdrew its employees from Social Security) or through employment outside of the County.

SUMMARY

SJR 3 would request the Congress of the United States to enact, and the President to sign, legislation that would repeal the Windfall Elimination Provision and Government Pension Offset from the Social Security Act.

ANALYSIS

Participation in Social Security by the County of Los Angeles

Prior to July 1, 1964. Employees of the County were not covered under Social Security because the County did not participate in Social Security.

July 1, 1964 through December 31, 1982. The County elected to participate in the Social Security system effective July 1, 1964. General members who were hired before July 1, 1964 were given the option to elect Social Security coverage and pay Social Security taxes retroactive to January 1, 1959 or date of hire, whichever was later. General members who were hired on or after July 1, 1964 were mandatorily covered under Social Security. Safety members were never participants under Social Security.

After January 1, 1983. The County withdrew its participation from Social Security effective January 1, 1983. As a result, some LACERA members may not have earned sufficient credits under County employment to be fully insured under Social Security, unless they had other employment that was covered by Social Security.

Windfall Elimination Provision (WEP)

Social Security benefits are designed to replace a percentage of a worker's pre-retirement earnings. A Social Security benefit is calculated by separating average monthly earnings into three amounts known as "bend points." Each bend point is multiplied by a percentage, and the total of the three amounts is the Social Security benefit.

For example, for a worker who turns 62 in 2019, the first \$926 of average monthly earnings is multiplied by 90 percent, earnings between \$926 and \$5,583 are multiplied by 32 percent, and the earnings over \$5,583 are multiplied by 15 percent. The benefit amount is decreased or increased depending on whether the worker begins receiving benefits before or after full retirement age.

For workers who qualify for a pension from a government employer that does not participate in Social Security, the percentage that is multiplied against the first \$926 of average monthly earnings is reduced from 90 percent to as low as 40 percent, based on years of substantial earnings. Those who have 30 years or more of substantial earnings do not see a reduction of the 90-percent factor. Note that to protect workers who receive a low government pension, the reduction of the Social Security benefit under the WEP cannot exceed more than one-half of the worker's government pension amount.

Government Pension Offset (GPO)

Under the GPO, dependent benefits paid by Social Security to a spouse, widow, or widower would be offset by two-thirds of the government pension paid to that person. Therefore, in some cases, if a person receives a government pension and two-thirds of

the pension benefit is greater than his or her own Social Security dependent benefits, the GPO will completely eliminate the Social Security dependent benefit.

Social Security Beneficiaries Affected by WEP and GPO

According to analyses of the WEP¹ and GPO² by the Congressional Research Service, as of December 2017, the WEP affects 249,198 beneficiaries in California, consisting of retired workers, disabled workers, and spouses and children. Nationwide, the WEP affects 1,804,095 beneficiaries. The GPO affects 98,937 beneficiaries in California. Nationwide, the GPO affects 682,933 beneficiaries.

Reasons for the Repeal of the WEP and GPO

SJR 3 states that these provisions affect workers employed in government positions that are not coordinated with the Social Security program, such as public school teachers, peace officers, firefighters, and other public servants working for cities and special districts. The resolution also states that effective government requires qualified and motivated personnel but that recruitment and retention by California government agencies of individuals reentering the workforce is impeded by these provisions. Repealing the WEP would restore the formula that reimburses low-income workers at a higher rate than high-income workers, which would avoid causing hardships for those who did not have high-paying public service. Repealing the GPO would avoid severely cutting or eliminating spousal and survivor benefits that were earned from community property income. Repeal of these provisions would facilitate recruitment and retention of public servants and avoid penalizing individuals who move from private sector employment to careers in public service.

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD adopt a “Support” position on Senate Joint Resolution 3, which would request the Congress of the United States to enact, and the President to sign, legislation that would repeal the Windfall Elimination Provision and Government Pension Offset from the Social Security Act.

Reviewed and Approved:



Steven P. Rice, Chief Counsel

¹ Li, Z. (2019). *Social Security: The Windfall Elimination Provision (WEP)*. (CRS Report No. 98-35). Retrieved from <https://crsreports.congress.gov/product/pdf/RS/98-35>

² Li, Z. (2018). *Social Security: The Government Pension Offset (GPO)*. (CRS Report No. RL32453). Retrieved from <https://crsreports.congress.gov/product/pdf/RL/RL32453>

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Board of Retirement
April 22, 2019
Page 4

Attachments

Attachment 1—Board Positions Adopted on Related Legislation
Attachment 2—Support and Opposition
SJR 3 (Wilk) as introduced on March 4, 2019
Windfall Elimination Provision Fact Sheet
Government Pension Offset Fact Sheet

cc: Lou Lazatin
JJ Popowich
Steven P. Rice
Joe Ackler, Ackler & Associates

BOARD POSITIONS ADOPTED ON RELATED LEGISLATION

H.R. 141 (Davis, 2019) would amend the Social Security Act to repeal the Government Pension Offset and the Windfall Elimination Provision. The Board of Retirement adopted a “Support” position.

S. 521 (Brown, 2019) would amend the Social Security Act to repeal the Government Pension Offset and the Windfall Elimination Provision. The Board of Retirement adopted a “Support” position.

H.R. 1205 (2017, held in committee) would have amended the Social Security Act to repeal the Government Pension Offset and the Windfall Elimination Provision. The Board of Retirement adopted a “Support” position.

S. 915 (2017, held in committee) would have amended the Social Security Act to repeal the Government Pension Offset and the Windfall Elimination Provision. The Board of Retirement adopted a “Support” position.

SJR 1 (Resolution Chapter 92, Statutes of 2015) requested the President and the Congress of the United States to pass legislation repealing the Government Pension Offset and Windfall Elimination Provision from the Social Security Act. The Board of Retirement adopted a “Support” position.

H.R. 711 (2015, held in committee) would have amended the Social Security Act to replace the Windfall Elimination Provision with a new formula for the treatment of noncovered earnings in determining Social Security benefits for individuals who become eligible for benefits after 2016. It would have established a second formula to modify the Windfall Elimination Provision for current beneficiaries. The Board of Retirement adopted a “Watch” position.

H.R. 973 (2015, held in committee) would have amended the Social Security Act to repeal the Government Pension Offset and the Windfall Elimination Provision. The Board of Retirement adopted a “Support” position.

S. 1651 (2015, held in committee) would have amended the Social Security Act to repeal the Government Pension Offset and the Windfall Elimination Provision. The Board of Retirement adopted a “Support” position.

H.R. 1332 (2011, held in committee) would have amended the Social Security Act to repeal the Government Pension Offset and the Windfall Elimination Provision. The Board of Retirement adopted a “Support” position.

AJR 10 (Resolution Chapter 103, Statutes of 2009) requested the President and the Congress of the United States to pass legislation repealing the Government Pension

Offset and Windfall Elimination Provision from the Social Security Act. The Board of Retirement adopted a “Support” position.

S. 484 (2009, held in committee) would have amended the Social Security Act to repeal the Government Pension Offset and the Windfall Elimination Provision. The Board of Retirement adopted a “Support” position.

AJR 5 (Resolution Chapter 116, Statutes of 2007) requested the President and the Congress of the United States to pass legislation repealing the Government Pension Offset and Windfall Elimination Provision from the Social Security Act. The Board of Retirement adopted a “Support” position.

SJR 3
Attachment 2—Support and Opposition
Board of Retirement
April 22, 2019
Page 1

SUPPORT

Unknown

OPPOSITION

Unknown

(Note: The legislative policy committee that has subject-matter jurisdiction over SJR 3 has not released a bill analysis listing officially registered support or opposition by interested parties.)

**Introduced by Senator Wilk
(Coauthor: Senator Wieckowski)**

(Coauthors: Assembly Members Choi, Lackey, and Voepel)

March 4, 2019

Senate Joint Resolution No. 3—Relative to Social Security.

LEGISLATIVE COUNSEL’S DIGEST

SJR 3, as introduced, Wilk. Social Security.

This measure would request the Congress of the United States to enact, and the President to sign, legislation that would repeal the Government Pension Offset and the Windfall Elimination Provision from the Social Security Act.

Fiscal committee: no.

1 WHEREAS, Two Federal Social Security Administration laws,
2 the Windfall Elimination Provision and the Government Pension
3 Offset, passed by Congress more than 30 years ago without
4 statistical analysis, diminish or eliminate the fully earned Social
5 Security benefits of large numbers of public service employees in
6 California; and

7 WHEREAS, These provisions affect workers who have been
8 employed in a government position that is not coordinated with
9 the Social Security program, such as California public school
10 teachers who have not been able to receive Social Security credits
11 since 1965; and

12 WHEREAS, Most peace officers, including the California
13 Highway Patrol, firefighters, and many other public servants
14 working for cities and special districts are not covered by Social
15 Security, making them subject to these provisions; and

1 WHEREAS, In California, more than 300,000 retirees have had
2 their Social Security benefits diminished or completely eliminated
3 by these laws; and

4 WHEREAS, Effective government requires highly qualified and
5 motivated personnel, and California government agencies need to
6 compete to recruit and retain outstanding employees, including
7 hiring 16,000 new public school teachers each year; and

8 WHEREAS, The recruitment and retention of qualified
9 individuals reentering the workforce is impeded by these two
10 provisions, which reduce or eliminate the Social Security retirement
11 benefits either earned by workers, themselves, or received through
12 dependent status; and

13 WHEREAS, The Government Pension Offset severely cuts, and
14 usually eliminates, all spousal and survivor benefits that were
15 earned from what is deemed by the State of California to be
16 community property income; and

17 WHEREAS, The Government Pension Offset requires that a
18 recipient of benefits report any yearly cost-of-living increase in
19 the recipient's public pension, so that the recipient's Social Security
20 benefits may be reduced by two-thirds of that amount; and

21 WHEREAS, The Windfall Elimination Provision cuts earned
22 Social Security benefits from work that is separate from the work
23 for which the individual earned a pension from a governmental
24 entity; and

25 WHEREAS, The Windfall Elimination Provision subverts the
26 purpose of Social Security retirement benefits by eliminating the
27 formula that reimburses low-income workers at a higher rate than
28 high-income workers, causing severe hardships for those who have
29 not had high-paying public service; and

30 WHEREAS, Until 2005, there were no requirements that a public
31 employer advise new workers that they would be subject to these
32 penalties; now, therefore, be it

33 *Resolved by the Senate and the Assembly of the State of*
34 *California, jointly*, That the Legislature requests that the Congress
35 of the United States enact legislation to repeal the Government
36 Pension Offset and the Windfall Elimination Provision from the
37 Social Security Act, and further requests that President Donald
38 Trump sign that legislation; and be it further

39 *Resolved*, That the Secretary of the Senate transmit copies of
40 this resolution to the President and the Vice President of the United

- 1 States, to the Speaker of the House of Representatives, to the
- 2 Majority Leader of the Senate, to each Senator and Representative
- 3 from California in the Congress of the United States, and to the
- 4 author for appropriate distribution.

O



Windfall Elimination Provision

Your Social Security retirement or disability benefits can be reduced

The Windfall Elimination Provision can affect how we calculate your retirement or disability benefit. If you work for an employer who doesn't withhold Social Security taxes from your salary, such as a government agency or an employer in another country, any retirement or disability pension you get from that work can reduce your Social Security benefits.

When your benefits can be affected

This provision can affect you when you earn a retirement or disability pension from an employer who didn't withhold Social Security taxes **and** you qualify for Social Security retirement or disability benefits from work in other jobs for which you did pay taxes.

The Windfall Elimination Provision can apply if:

- You reached 62 after 1985; or
- You became disabled after 1985; and
- You first became eligible for a monthly pension based on work where you didn't pay Social Security taxes after 1985. This rule applies even if you're still working.

This provision also affects Social Security benefits for people who performed federal service under the Civil Service Retirement System (CSRS) after 1956. We won't reduce your Social Security benefit amounts if you only performed federal service under a system such as the Federal Employees' Retirement System (FERS). Social Security taxes are withheld for workers under FERS.

How it works

Social Security benefits are intended to replace only some of a worker's pre-retirement earnings.

We base your Social Security benefit on your average monthly earnings adjusted for average wage growth. We separate your average earnings into three amounts and multiply the amounts using three factors to compute your full Primary Insurance Amount (PIA). For example, for a worker who turns 62 in 2019, the first \$926 of average monthly earnings is multiplied by 90 percent; earnings between \$926 and \$5,583 by 32 percent; and the balance by 15 percent. The sum of the three amounts equals the PIA which is then decreased or increased depending on whether the

worker starts benefits before or after full retirement age (FRA). This formula produces the monthly payment amount.

When we apply this formula, the percentage of career average earnings paid to lower-paid workers is greater than higher-paid workers. For example, workers age 62 in 2019, with average earnings of \$3,000 per month could receive a benefit at FRA of \$1,497 (approximately 49 percent) of their pre-retirement earnings increased by applicable cost of living adjustments (COLAs). For a worker with average earnings of \$8,000 per month, the benefit starting at FRA could be \$2,686 (approximately 33 percent) plus COLAs. However, if either of these workers start benefits earlier, we'll reduce their monthly benefit.

Why we use a different formula

Before 1983, people whose primary job wasn't covered by Social Security had their Social Security benefits calculated as if they were long-term, low-wage workers. They had the advantage of receiving a Social Security benefit representing a higher percentage of their earnings, plus a pension from a job for which they didn't pay Social Security taxes. Congress passed the Windfall Elimination Provision to remove that advantage.

Under the provision, we reduce the 90 percent factor in our formula and phase it in for workers who reached age 62 or became disabled between 1986 and 1989. For people who reach 62 or became disabled in 1990 or later, we reduce the 90 percent factor to as little as 40 percent.

Some exceptions

The Windfall Elimination Provision doesn't apply if:

- You're a federal worker first hired after December 31, 1983;
- You're an employee of a non-profit organization who was first hired after December 31, 1983;
- Your only pension is for railroad employment;
- The only work you performed for which you didn't pay Social Security taxes was before 1957; or
- You have 30 or more years of substantial earnings under Social Security.

The Windfall Elimination Provision doesn't apply to survivors benefits. We may reduce spouses, widows, or widowers benefits because of another law. For more information, read *Government Pension Offset* (Publication No. 05-10007).

Social Security years of substantial earnings

If you have 30 or more years of substantial earnings, we don't reduce the standard 90 percent factor in our formula. See the first table that lists substantial earnings for each year.

The second table shows the percentage used to reduce the 90 percent factor depending on the number of years of substantial earnings. If you have 21 to 29 years of substantial earnings, we reduce the 90 percent factor to between 45 and 85 percent. To see the maximum amount we could reduce your benefit, visit www.socialsecurity.gov/planners/retire/wep-chart.html.

A guarantee

The law protects you if you get a low pension. We won't reduce your Social Security benefit by more than half of your pension for earnings after 1956 on which you didn't pay Social Security taxes.

Contacting Social Security

The most convenient way to contact us anytime, anywhere is to visit www.socialsecurity.gov. There, you can: apply for benefits; open a *my* Social Security account, which you can use to review your *Social Security Statement*, verify your earnings, print a benefit verification letter, change your direct deposit information, request a replacement Medicare card, and get a replacement SSA-1099/1042S; obtain valuable information; find publications; get answers to frequently asked questions; and much more.

If you don't have access to the internet, we offer many automated services by telephone, 24 hours a day, 7 days a week. Call us toll-free at **1-800-772-1213** or at our TTY number, **1-800-325-0778**, if you're deaf or hard of hearing.

If you need to speak to a person, we can answer your calls from 7 a.m. to 7 p.m., Monday through Friday. We ask for your patience during busy periods since you may experience a higher than usual rate of busy signals and longer hold times to speak to us. We look forward to serving you.

Year	Substantial earnings
1937–1954	\$900
1955–1958	\$1,050
1959–1965	\$1,200
1966–1967	\$1,650
1968–1971	\$1,950
1972	\$2,250
1973	\$2,700
1974	\$3,300
1975	\$3,525
1976	\$3,825
1977	\$4,125
1978	\$4,425
1979	\$4,725
1980	\$5,100
1981	\$5,550
1982	\$6,075
1983	\$6,675
1984	\$7,050
1985	\$7,425
1986	\$7,875
1987	\$8,175
1988	\$8,400
1989	\$8,925
1990	\$9,525
1991	\$9,900

Year	Substantial earnings
1992	\$10,350
1993	\$10,725
1994	\$11,250
1995	\$11,325
1996	\$11,625
1997	\$12,150
1998	\$12,675
1999	\$13,425
2000	\$14,175
2001	\$14,925
2002	\$15,750
2003	\$16,125
2004	\$16,275
2005	\$16,725
2006	\$17,475
2007	\$18,150
2008	\$18,975
2009–2011	\$19,800
2012	\$20,475
2013	\$21,075
2014	\$21,750
2015-2016	\$22,050
2017	\$23,625
2018	\$23,850
2019	\$24,675

Years of substantial earnings	Percentage
30 or more	90 percent
29	85 percent
28	80 percent
27	75 percent
26	70 percent
25	65 percent
24	60 percent
23	55 percent
22	50 percent
21	45 percent
20 or less	40 percent



Securing today
and tomorrow

Social Security Administration
Publication No. 05-10045 | ICN 460275 | Unit of Issue — HD (one hundred)
January 2019 (Recycle prior editions)
Windfall Elimination Provision
Produced and published at U.S. taxpayer expense



Government Pension Offset

A law that affects spouses and widows or widowers

If you receive a retirement or disability pension from a federal, state, or local government based on your own work for which you didn't pay Social Security taxes, we may reduce your Social Security spouses or widows or widowers benefits. This fact sheet provides answers to questions you may have about the reduction.

How much will my Social Security benefits be reduced?

We'll reduce your Social Security benefits by two-thirds of your government pension. In other words, if you get a monthly civil service pension of \$600, two-thirds of that, or \$400, must be deducted from your Social Security benefits. For example, if you're eligible for a \$500 spouses, widows, or widowers benefit from Social Security, you'll get \$100 a month from Social Security ($\$500 - \$400 = \$100$). If two-thirds of your government pension is more than your Social Security benefit, your benefit could be reduced to zero.

If you take your government pension annuity in a lump sum, Social Security will calculate the reduction as if you chose to get monthly benefit payments from your government work.

Why will my Social Security benefits be reduced?

Benefits we pay to spouses, widows, and widowers are "dependent" benefits. Set up in the 1930s, these benefits were to compensate spouses who stayed home to raise a family and were financially dependent on the working spouse. It's now common for both spouses to work, each earning their own Social Security retirement benefit. The law requires a person's spouse, widow, or widower benefit to be offset by the dollar amount of their own retirement benefit.

For example, if a woman worked and earned her own \$800 monthly Social Security benefit, but was also due a \$500 wife's benefit on her husband's record, we couldn't pay that wife's benefit because her own benefit offset it. But, before enactment of the Government Pension Offset, if that same woman was a government employee who didn't pay into Social Security and earned an \$800 government pension, there was no offset. We had to pay her a full wife's benefit and her full government pension.

If this person's government work had been subject to Social Security taxes, we would reduce any spouse, widow, or widower benefit because of their own Social Security benefit. The Government Pension Offset ensures that we calculate the benefits of government employees who don't pay Social Security taxes the same as workers in the private sector who pay Social Security taxes.

When won't my Social Security benefits be reduced?

Generally, we won't reduce your Social Security benefits as a spouse, widow, or widower if you:

- Receive a government pension that's not based on your earnings; or
- Are a federal (including Civil Service Offset), state, or local government employee and your government pension is from a job for which you paid Social Security taxes; and:
 - Your last day of employment (that your pension is based on) is before July 1, 2004; or
 - You filed for and were entitled to spouses, widows, or widowers benefits before April 1, 2004 (you may work your last day in Social Security covered employment at any time); or
 - You paid Social Security taxes on your earnings during the last 60 months of government service. (Under certain conditions, we require fewer than 60

months for people whose last day of employment falls after June 30, 2004, and before March 2, 2009.)

There are other situations for which we won't reduce your Social Security benefits as a spouse, widow, or widower; for example, if you:

- Are a federal employee who switched from the Civil Service Retirement System (CSRS) to the Federal Employees' Retirement System (FERS) after December 31, 1987; and:
 - Your last day of service (that your pension is based on) is before July 1, 2004; or
 - You paid Social Security taxes on your earnings for 60 months or more during the period beginning January 1988 and ending with the first month of entitlement to benefits; or
 - You filed for and were entitled to spouses, widows, or widowers benefits before April 1, 2004 (you may work your last day in Social Security covered employment at any time).
- Received, or were eligible to receive, a government pension before December 1982 and meet all the requirements for Social Security spouse's benefits in effect in January 1977; or
- Received, or were eligible to receive, a federal, state, or local government pension before July 1, 1983, and were receiving one-half support from your spouse.

Note: A Civil Service Offset employee is a federal employee, rehired after December 31, 1983, following a break in service of more than 365 days, with five years of prior CSRS coverage.

What about Medicare?

Even if you don't get cash benefits from your spouse's work, you can still get Medicare at age 65 on your spouse's record if you aren't eligible for it on your own record.

Can I still get Social Security benefits from my own work?

The offset applies only to Social Security benefits as a spouse, or widow, or widower. However, we may reduce your own benefits because of another provision. For more information, ask for *Windfall Elimination Provision* (Publication No. 05-10045).

Contacting Social Security

The most convenient way to contact us anytime, anywhere is to visit www.socialsecurity.gov. There, you can: apply for benefits; open a *my* Social Security account, which you can use to review your *Social Security Statement*, verify your earnings, print a benefit verification letter, change your direct deposit information, request a replacement Medicare card, and get a replacement 1099/1042S; obtain valuable information; find publications; get answers to frequently asked questions; and much more.

If you don't have access to the internet, we offer many automated services by telephone, 24 hours a day, 7 days a week. Call us toll-free at **1-800-772-1213** or at our TTY number, **1-800-325-0778**, if you're deaf or hard of hearing.

If you need to speak to a person, we can answer your calls from 7 a.m. to 7 p.m., Monday through Friday. We ask for your patience during busy periods since you may experience higher than usual rate of busy signals and longer hold times to speak to us. We look forward to serving you.



Securing today
and tomorrow

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February 2017 (Recycle prior editions)
Government Pension Offset
Produced and published at U.S. taxpayer expense




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

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

April 16, 2019

TO: Each Member
Board of Retirement

FROM: Ricki Contreras, Division Manager 
Disability Retirement Services

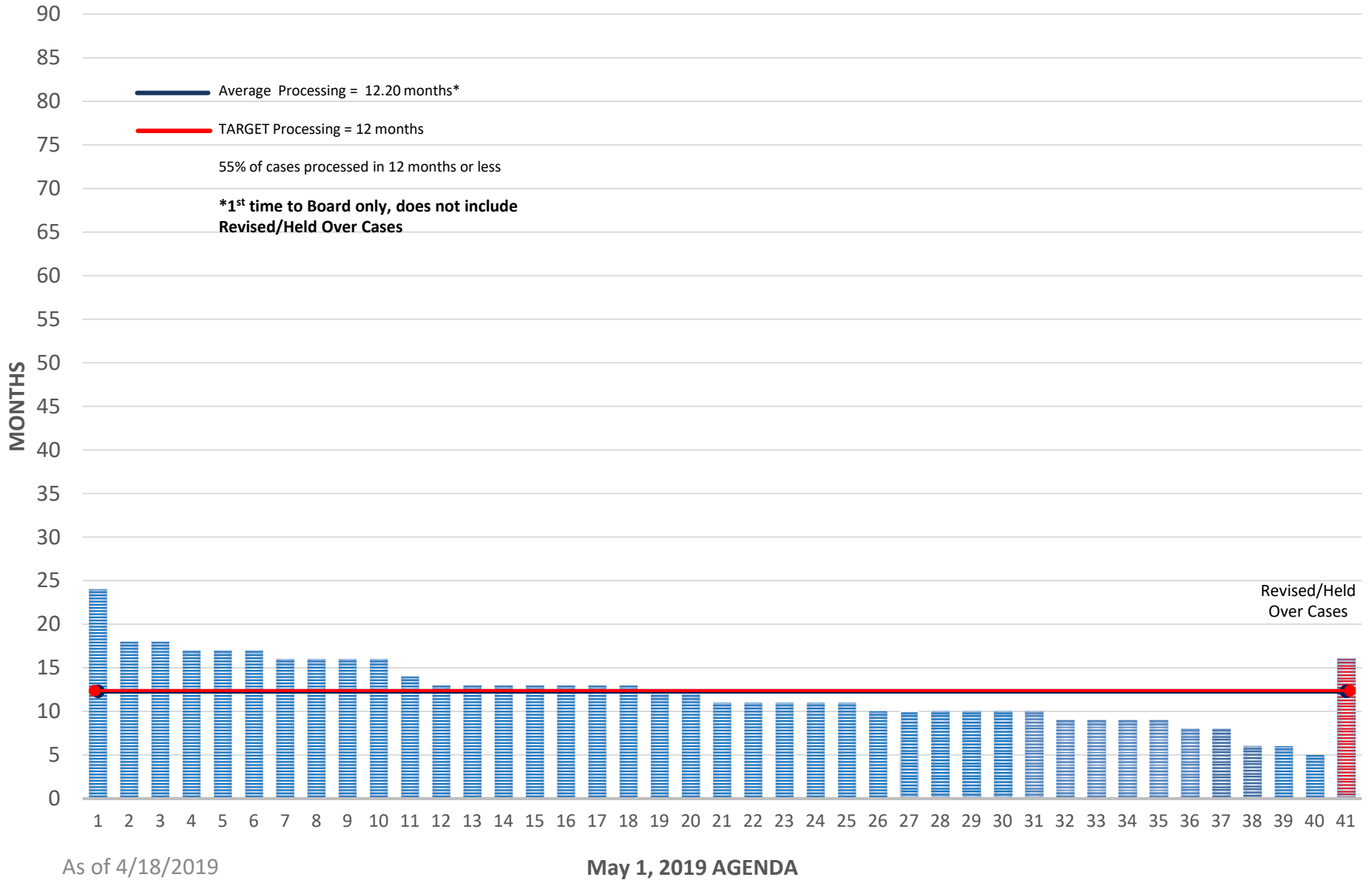
FOR: May 1, 2019 Board of Retirement Meeting

SUBJECT: **Application Processing Time Snapshot Reports**

The following chart shows the total processing time from receipt of the application to the first Board action for all cases on the May 1, 2019 Disability Retirement Applications Agenda.

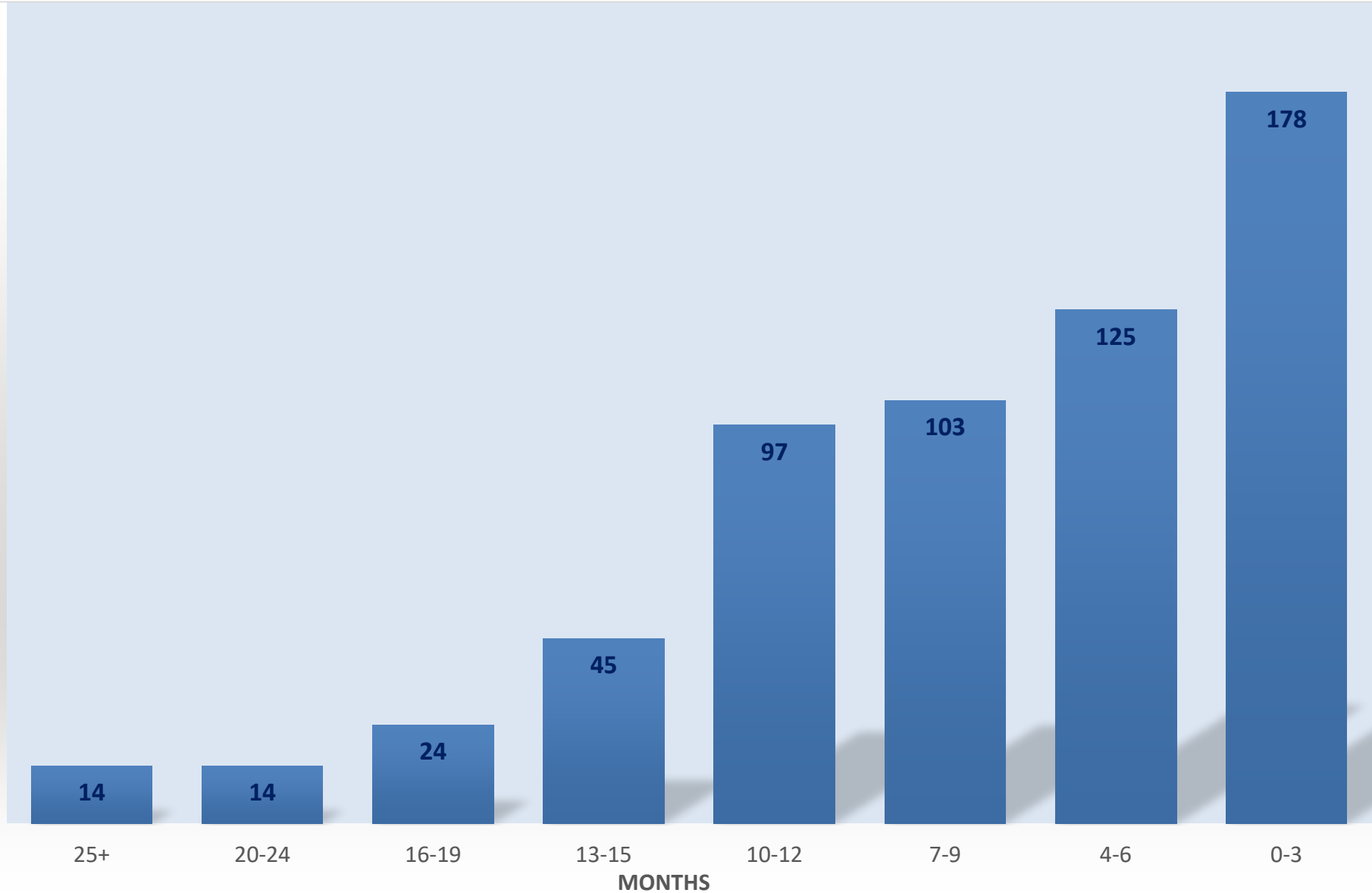
Consent & Non-Consent Calendar	
Number of Applications	40
Average Processing Time (in Months)	12.20
Revised/Held Over Calendar	
Number of Applications	1
Processing Time Per Case (in Months)	16
Total Average Processing Time Revised/Held Over Calendar	16.00
Total Average Processing Time All 41 Cases on Agenda	12.30

CASE PROCESSING TIME



PENDING APPLICATIONS/TIME INTERVALS

NUMBER OF APPLICATIONS



As of 4/18/2019



FOR INFORMATION ONLY

April 19, 2019

TO: Each Member
Board of Retirement
Board of Investments

FROM: Audit Committee

Richard Bendall 
Chief Audit Executive

FOR: May 1, 2019 Board of Retirement Meeting
May 15, 2019 Board of Investments Meeting

SUBJECT: **Corporate Credit Card Audit Report**

At our March 14, 2019 meeting, the Audit Committee instructed staff to forward the Corporate Credit Audit Report to each Board. Based on the audit, the Financial Accounting Services Division (FASD) has revised the Credit Card Policy to strengthen controls over card expenditures, and provided training to all cardholders on the updated procedures. Additionally, the Audit Committee requested that FASD present the Board of Retirement's Operations Oversight Committee (OOC) with the revised Corporate Credit Card Policy at the May 1, 2019 OOC meeting.

RB:lc
Attachment



LACERA INTERNAL AUDIT DIVISION

Corporate Credit Card Audit

February 25, 2019

AUDIT PERFORMED BY:

Kathryn Ton, CPA, CFE
Senior Internal Auditor

EXECUTIVE SUMMARY

We reviewed LACERA's corporate credit card policy as part of the fiscal year 2018/19 audit plan. Corporate credit cards, or P-Cards, facilitate purchases authorized by the LACERA Boards or Chief Executive Officer (CEO) for business-related expenses. Generally, P-Cards are issued to division and assistant division managers, in addition to certain administrative positions that have been pre-approved by the Executive Office. The Financial and Accounting Services Division (FASD) administers LACERA's Corporate Credit Card Policy (policy) and program. Internal Audit routinely audits P-Cards to ensure that it is effectively managed and compliant with LACERA's policy. The last time the program was audited was in 2011, and there were no significant issues to report. Since that audit, LACERA has changed credit card providers to Bank of America and made improvements to the policy. For this audit, we assessed whether P-Cards are used in accordance with the April 2016 policy. In addition, we evaluated security controls in place to detect improper credit card use.

The corporate credit card is a large component of LACERA's procurement activities. For fiscal year 2017/18, LACERA had total credit card expenditures of \$1,230,724 across 15 divisions. Cumulatively, there were 3,497 transactions from 40 accounts from July 1, 2017 to June 30, 2018.

In general, Internal Audit found LACERA to have adequate controls and procedures in place to manage credit card use. Notably, we observed the following good practices with FASD's administration of the program:

- Segregation of duties exist between cardholders and the FASD Disbursements Unit.
- The policy sets forth guidelines, responsibilities, and expectations for cardholders.
- Card authorizations and credit agreements are properly recorded and maintained.
- Lost or comprised cards are reported and replaced timely to avoid misuse.
- User access controls exist within the Bank of America WORKS online payment management system.

While we observed some good practices, we also identified opportunities for LACERA to strengthen controls over the program:

- Ensure cardholders are adequately trained on the policy and held accountable for noncompliance.
- FASD Disbursements Unit to escalate issues of noncompliance to management, and revise policy and procedures as needed for clarification.
- FASD to assess options to streamline receipt management and expense reporting in Bank of America WORKS.

The details of our observations and recommendations are addressed in the report. We thank FASD for their assistance and cooperation with this audit.

CORPORATE CREDIT CARD AUDIT

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AUDIT OBJECTIVES	5
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AUDIT METHODOLOGY	6
AUDIT RESULTS	6

INTRODUCTION

We reviewed LACERA’s corporate credit card policy as part of the fiscal year 2018/19 audit plan. Corporate credit cards, or P-Cards, facilitate purchases authorized by the LACERA Boards or Chief Executive Officer (CEO) for business-related expenses. Generally, P-Cards are issued to division and assistant division managers, in addition to certain administrative positions that have been pre-approved by the Executive Office. The Financial and Accounting Services Division (FASD) administers LACERA’s Corporate Credit Card Policy (policy) and program. Internal Audit routinely audits P-Cards to ensure that it is effectively managed and compliant with LACERA’s policy. The last time the program was audited was in 2011, and there were no significant issues to report. Since that audit, LACERA has changed credit card providers to Bank of America and made improvements to the policy. For this audit, we assessed whether P-Cards are used in accordance with the April 2016 policy. In addition, we evaluated security controls in place to detect improper credit card use.

The corporate credit card is a large component of LACERA’s procurement activities. For fiscal year 2017/18, LACERA had total credit card expenditures of \$1,230,724 across 15 divisions. Cumulatively, there were 3,497 transactions from 40 accounts through June 30, 2018.

BACKGROUND

LACERA has partnered with Bank of America’s Works Card Program (WORKS) since 2013 to offer credit cards to staff members who make regular purchases of goods and services. Goods and services are purchased in accordance with the policy and annual budget. Personal use of the card is strictly prohibited. The table below shows the types of budgeted services and supplies that can be purchased on the P-Cards by division. Board member purchases for the Board of Investments (BOI) and Board of Retirement (BOR) are made by the Executive Office secretaries.

SERVICES AND SUPPLIES	LACERA DIVISIONS																
	Admin Serv	Benefits	BOI	BOR	Comm	Disability Lit	Disability Ret	Exec Office	FASD	HR	Int Audit	Investments	Legal	Member Serv	QA	RHC	Systems
Auto Expense	X					X	X					X	X				
Bank Services								X									
Building Costs	X																
Communication			X	X													X
Computer Services & Support					X				X								X
Disability Fees & Services						X											
Educational Expenses	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Equipment Maintenance	X																X
Equipment Rents & Leases	X																
Insurance	X																
Legal Fees & Services						X	X						X				
Miscellaneous	X	X			X	X	X	X	X	X	X	X	X	X	X	X	X
Office Supplies & Equipment	X	X				X	X	X	X	X	X	X	X	X	X	X	X
Operational Costs																X	
Parking Fees									X								
Postage	X				X												X
Professional & Specialized Services	X	X					X	X		X	X		X		X	X	X
Stationery & Forms	X				X												
Transportation	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X

Issuance of Credit Cards

P-Cards are issued to staff members who have the appropriate purchasing authorities within their divisions. Generally, division managers, assistant managers, and certain administrative service positions are granted P-Cards. The division manager initiates the request by submitting the corporate card request form, along with the corporate card agreement, to the Executive Office for approval. Usually, the CEO reviews the request and makes a determination on the credit limit for the cardholder. Credit limits range from \$450 to \$50,000 based on the frequency and level of use. Approved requests are forwarded to FASD for processing. The FASD Program Administrator acts as the liaison between Bank of America and LACERA, and works with Bank of America to issue the card.

Reconciliation of Credit Card Charges

Credit card charges are reconciled on a monthly basis by the cardholder/proxy and FASD. The LACERA policy allows cardholders to designate proxies to access and submit receipts on their behalf. Once a month, cardholders/proxies are required to sign into the Bank of America online payment management system (WORKS) to verify that each charge on their credit card statement is correct. In addition, the system requires that cardholders/proxies assign expense codes to each charge, so that charges can be linked to the appropriate fund and division budget. Once expense codes have been entered, the cardholders/proxies certify in the system that all transactions have been properly reviewed. When charges are made, cardholders' credit lines are reduced. Once cardholders/proxies sign-off on the transactions, the available credit for purchases is restored.

Substantiation of Charges

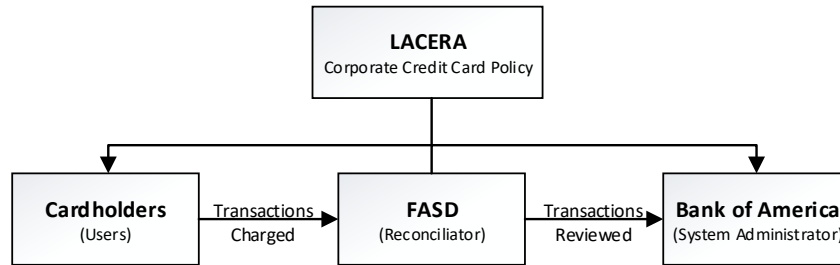
FASD also substantiates charges against cardholder receipts, but only after credit card balances have been paid from the LACERA bank account. The LACERA policy requires that cardholders/proxies submit receipts within five business days after month-end close. The FASD Disbursements Unit, which is comprised of five accounting staff, maintains and enforces the policy. Each month, the Disbursements Unit reconciles credit card statements to the itemized receipts, invoices, and supporting documentation, and follows up on potential issues with cardholders.

AUDIT OBJECTIVES

The audit objectives were to assess whether P-Cards are used in accordance with the policy. In addition, Internal Audit evaluated security controls in place to monitor and detect improper credit card use. Specifically, we verified the following:

1. Authorization of credit cards and credit limits.
2. Substantiation of charges.
3. Completeness of the LACERA policy.

The diagram below illustrates the process flows between the parties involved when administering the program.



AUDIT SCOPE

The audit scope covered fiscal year 2017/18 and involved:

- Discussions with FASD staff about administering the corporate credit card program.
- Review of LACERA's corporate credit card policy and procedures.
- List of corporate cardholders and credit limits.
- List of division budgets and general ledger accounts.
- Cardholders' monthly credit card statements.
- Cardholders' submission of supporting documentation.
- Review of the Bank of America online payment management system (WORKS) as it relates to:
 - User access controls
 - Certification of credit card transactions
- Controls and transactions testing to determine whether operations are performed according to established procedures.

Note: Internal Audit did not review Board and Staff Travel, because this will be performed in a separate audit.

AUDIT METHODOLOGY

1. To test for the authorization of credit cards and credits limits:

- Verified cardholders are LACERA employees. Compared credit limits established for each cardholder to supporting documentation.
- Confirmed that P-Cards issued to staff who retired/resigned/transferred divisions were deactivated and destroyed.
- Confirmed that staff with temporary credit increases obtained approval from the Executive Office.
- Verified that staff who had lost or compromised cards were issued replacement cards with new account numbers.
- Obtained assurance that P-Cards were administered by appropriate FASD staff.

2. To test for the substantiation of charges:
 - Calculated and reviewed 100% of credit card transactions for 40 accounts (\$1,230,724 total dollar value). Verified that charges were allocated to the correct expense codes. Exceptions noted in the Audit Results section of the report.
 - Calculated total expenditures for each division. Determined that division expenditures are within the approved budget for fiscal year 2017/18.
 - Confirmed that monthly credit card balances are paid timely to Bank of America.
 - Sampled 90 credit card transactions to check on the appropriateness of the charges. Reviewed supporting documentation for completeness. Exceptions noted in the Audit Results section of the report.

3. To test for the completeness of the LACERA policy:
 - Discussed controls with the FASD Program Administrator and Disbursements Unit.
 - Reviewed policies, procedures, and processes in place to assess the completeness and comprehensiveness of the policy.

AUDIT RESULTS

Overall, Internal Audit found LACERA to be compliant with some, but not all, policy areas reviewed. The table below summarizes Internal Audit's assessment of LACERA's Corporate Credit Card Policy.

Table A: Audit Areas Reviewed

Rating	Sample Exceptions
Good	None
Fair	Between 1-10%
Needs Improvement	More than 10%

Audit Area	Metric	Policy Guidelines / Audit Observations	Compliance Assessment	
			Cardholders	FASD
Authorization of Cards	Cardholder approvals	Policy: Generally, division managers are granted corporate cards, in addition to certain positions that have been pre-approved by the Executive Office to be authorized cardholders.	Good	Good
	Credit limits	Policy: Individual corporate card limits have been established and identified on the Corporate Card Agreement.	Good	Good
	Replacement cards	Policy: The Cardholder is required to sign a new Agreement in situations where a new Corporate Card with a new number is issued, such as replacement of stolen, lost, or compromised Corporate Card, and replacement of expired Corporate Card.	Good	Good
Substantiation of Charges	Division-approved purchases	Policy: Funding must be available in each individual Division's current budget in order to fund purchases.	Good	Good
	Monthly statement reviews	Policy: The cardholder is required to log on to Bank of America's Online Works System at the end of each billing cycle to compare each transaction to his/her receipts, order confirmation, and/or any shipping documents. After the sign off/s, the accompanying receipts, along with the Corporate Card Program Submission of Supporting Documentation, must be sent to FASD's Disbursements Unit within five (5) business days after the end of each calendar month-end cycle. Audit Observations: 281 improper codings of expenses from cardholders/proxies. Incomplete supporting documentation.	Fair	Fair
	Itemized receipts, supported by business purpose	Policy: FASD staff will review and reconcile all expenditures charged on the Corporate Card to the actual itemized receipt, invoice, or supporting documentation. All receipts must individually list the items purchased. A receipt showing only the total dollar amount will NOT be accepted. Audit Observations: Late submission of expense reports and non-itemized receipts from cardholders.	Needs Improvement	Fair
	Personal purchases	Policy: In order to promote the public's confidence in the integrity of the Corporate Card Program and avoid any appearance of commingling of business-related expenditures with personal expenditures, use of the Corporate Card for personal purchases is strictly prohibited. Audit Observations: 2 personal expenses later reimbursed to LACERA.	Fair	Good
Policies and Admin. Systems	Meals (Clarification needed)	Policy: Purchases of food and beverages by Board Secretaries for Board member functions, Brown Bag coordinators for monthly CEO Brown Bag, and other LACERA sponsored employee events are assigned to expense code 9984. All other divisions must obtain pre-approval from the Executive Office before they make food and beverage purchases other than those instances noted above. Audit Observations: 40 business meals with affiliates (i.e. Board members and fund managers) expensed.	Fair	Fair
	Equipment	Policy: The following goods and services must be requested through the Procurement Unit, or as defined otherwise, with Executive Office's written approval, or obtained through the regular request process: Capital Equipment Furniture Software (Systems Division) Standard Stock Consulting Agreements/Contracts Time and Material Agreements Any special contractual agreements with suppliers Contracts with Exemployment Agencies for temporary help. Audit Observations: 108 software and hardware equipment purchases made on Amazon for \$9,853 that did not fall within the Corporate Credit Card Policy.	Needs Improvement	Needs Improvement
	Memberships (Clarification needed)	Policy: No general description provided. Audit Observations: 2 Amazon Prime Memberships expensed.	Fair	Fair
	Bank of America WORKS (Improvements needed)	Policy: Procedural guide. Audit Observations: Limited knowledge of system features/functionality.	Fair	Fair

Internal Audit observed the following good practices with FASD's administration of the program:

- Segregation of duties exist between cardholders and the FASD Disbursements Unit.
- The policy sets forth guidelines, responsibilities, and expectations for cardholders.
- Card authorizations and credit agreements are properly recorded and maintained.
- Lost or comprised cards are reported and replaced timely to avoid misuse.
- User access controls exist within the Bank of America WORKS online payment management system.

While we observed some good practices as noted above, we also identified controls that can be strengthened. The following is a summary of audit results and recommendations to address the issues of accountability, policies and procedures, and outdated systems (WORKS).

Issue #1: Cardholders were not held accountable for noncompliant transactions.

During our audit, we identified several areas of noncompliance with the current policy, such as:

- ***Personal Purchases***
Per the policy, personal purchases are strictly prohibited. We identified two personal purchases made by two different cardholders. One of the cardholders immediately reported and reimbursed LACERA for the purchase. The other purchase was identified by FASD during the review process, and once contacted, the cardholder reimbursed LACERA for the personal charge.
- ***Equipment and Supplies***
According to the policy, software and hardware equipment should be purchased through the Administrative Services Procurement Unit (Procurement), albeit an emergency. Our test work identified 108 software and hardware equipment purchases that were expensed on the P-Cards. We noted a pattern of purchases made through Amazon (\$9,853 in equipment purchases during fiscal year 2017/18), and in some instances, delivered directly to individuals. Regardless of the vendor used for purchases, items such as these should have been procured and delivered through Procurement, as stated in the LACERA credit card and procurement policies.
- ***Business Meals***
The policy allows charges for food and beverages during travel, for Board member functions, monthly CEO Brown Bags, and other LACERA-sponsored employee events. Per the policy, any meals outside of these activities require Executive Office approval. During our audit, we identified 40 meals expensed on P-Cards without documented Executive Office approval. The majority of these meals were for business meetings with Board members and fund managers. Without sufficient documentation of the business purpose and appropriate approvals, these meals could be perceived as a conflict of interest. To minimize potential conflicts of interest, the policy should state clearly the types and purpose of business meals that are allowable.

- **Membership Fees**

The policy allows cardholders to charge memberships on P-Cards, and even though the policy does not specify which memberships are allowable, it is generally assumed to mean business association fees. During our audit, we noted two cardholders (not associated with Procurement) charged Amazon Prime memberships on their P-Cards. From an operational standpoint, LACERA may benefit from centralizing purchases under one Amazon Prime account to reduce costs and monitor purchases. Since the procurement policy is overseen by Administrative Services, we suggest that this division assess the need for an Amazon Prime account.

- **Telephone and Internet Coverage**

Similar to membership subscriptions, the policy does not address charges made for business related telephones and internet coverage. Our audit identified monthly telephone and internet service charges, totaling \$883. Since these were monthly repeat charges with no written approval from the Executive Office, at some point, the Disbursements Unit should have questioned the charges and obtained documentation of the business purpose during the review process. Executive Office approval should be documented and updated in the policy for the continuation of these monthly charges.

- **Training Courses**

The policy allows for the purchase of educational materials, but does not include training courses. This type of service is typically handled by the Human Resources Training Coordinator. We noted that a \$3,900 contracted coaching fee was expensed on a P-Card when it should have gone through the training coordinator.

- **Insufficient Documentation**

Per the policy, cardholders are required to submit itemized receipts as supporting documentation. A receipt showing only the total dollar amount is not acceptable. Based on our sample of 90 transactions, the majority of cardholders failed to submit itemized receipts, invoices, or written justification for the business purpose. In many cases, the explanation listed the item(s) purchased, but failed to explain who received the items and the business purpose. Without more information, it is difficult for Internal Audit to determine the appropriateness of some purchases. Better monitoring controls during the review process can assist in the early detection of inappropriate or unauthorized transactions.

Based on the findings noted above, cardholders should be held accountable and adequately trained to ensure their understanding of acceptable charges. Furthermore, the Disbursements Unit needs to follow established procedures when reconciling credit card purchases to supporting documentation and elevate noncompliant transactions to management when necessary.

RECOMMENDATION

1. FASD management should ensure that cardholders are adequately trained on the policy, and hold cardholders accountable for noncompliance. FASD management should assess the need and frequency of training provided to cardholders, and implement a timeline for training.
2. FASD management should assess the need to obtain missing documentation and/or recover amounts from cardholders for noncompliant transactions that were identified during the audit.

Management Response

1. Management agrees with the recommendation. The Corporate Credit Card Policy is under review and revision. The policy will require reviews and approvals for all cardholders including Division Managers to enhance cardholder accountability. FASD is working with the LACERA management team to schedule the corporate credit card policy training event. This recommendation is expected to be completed by March 31, 2019.
2. Management agrees with this recommendation and will complete the assessment. This recommendation is expected to be implemented by June 30, 2019.

Issue #2: The policy needs to be updated to clearly define allowable charges.

It is a good business practice to routinely review and revise the policy. Process issues are often associated with policies and procedures, accountability, and outdated systems. Consequently, as these areas are enhanced, processes will also change. As detailed above, we identified purchases that the Disbursements Unit should have raised with FASD management during the review process. Specifically, we identified transactions that were not covered in the policy, missing detailed receipts, or missing approvals. To prevent these types of transactions from occurring in the future, it is important that the Disbursements Unit escalate exceptions to management so that appropriate action can be taken for noncompliance. Once management determines that a purchase is unacceptable, it should be documented in the policy and communicated across the organization to prevent repeat purchases. Likewise, purchases considered acceptable or labeled management exceptions should be clearly documented and explained in the policy. Ongoing training and communication can minimize the number of missing receipts and unauthorized purchases, enhance the effectiveness of existing processes, and ensure that key information is reinforced.

RECOMMENDATION

3. FASD Disbursements Unit escalate issues to management, and management revise policies and procedures as needed for clarification.
4. FASD management train and educate cardholders on new policies and procedural changes with divisions involved.

Management Response

3. Management agrees with the recommendation. Management has instructed staff to elevate exceptions on policy non-compliance. In addition, the cardholder training will reinforce compliance with the policy at the cardholder level and the importance of the supervisory review for identifying and addressing instances of non-compliance. This recommendation is expected to be completed by March 31, 2019.
4. Management agrees with the recommendation. The Corporate Credit Card Policy will be scheduled for review and update at least every 3 years. Management is in the process of updating the April 2016 version. This recommendation is expected to be completed by March 31, 2019.

Issue #3: Management needs to assess the options to streamline expense reporting in WORKS.

Another good business practice is to make the expense reporting process as straightforward as possible. The easier the process, the less the likelihood that cardholders will make mistakes. During our audit, we noted 281 instances (or 8%) when charges were expensed to GL account #4590. GL account #4590 is the code for missing receipts or receipts submitted late. Every month, FASD is responsible for clearing the #4590 account, so improvements should be made within Bank of America WORKS to minimize the number of late/lost receipts and incomplete reports.

One suggestion to address this issue is to add a feature within WORKS to allow receipts to be scanned and uploaded. If there is a WORKS mobile app, then cardholders can snap photos of their receipts and upload them onto the application. The other option is for cardholders to log onto the system and upload digital images of their receipts. Additionally, there should be a feature that allows for descriptions to be inputted next to the receipts, so that FASD can monitor monthly statements online. With these modifications, cardholders can certify in WORKS that transactions have been reviewed and supported, without having to submit hard copies of their expense reports. Since our audit, FASD has contacted Bank of America to implement this recommendation, and the WORKS system now allows for the uploading of receipts. However, this latest feature needs to be documented in the current policy and procedures established.

RECOMMENDATION

5. FASD to assess options to streamline expense reporting in Bank of America WORKS so that cardholders are less likely to lose receipts and submit incomplete reports. Additional features should allow for receipts to be scanned and uploaded, and fields to describe the nature of the charges.

Management Response

5. Management agrees with the recommendation. Management will work with Bank of America and LACERA Systems Division to study and evaluate the feasibility of implementing a receipt capture tool. This recommendation is expected to be implemented by June 30, 2019.

We thank FASD for their assistance and cooperation with this audit.

NOTED AND APPROVED



Date: February 25, 2019

Richard Bendall
Chief Audit Executive

REPORT DISTRIBUTION

2019 Audit Committee
Rick Wentzel
Steven Rice

Lou Lazatin
JJ Popowich
Internal Audit Staff

Beulah Auten
Ted Granger

FOR INFORMATION ONLY

April 20, 2019

TO: Each Member
Board of Retirement
Board of Investments

FROM: Barry W. Lew
Legislative Affairs Officer

FOR: May 1, 2019 Board of Retirement Meeting
May 15, 2019 Board of Investments Meeting

SUBJECT: **Monthly Status Report on Legislation**

Attached is the monthly report on the status of legislation that staff is monitoring or on which LACERA has adopted a position.

Reviewed and Approved:



Steven P. Rice, Chief Counsel

Attachment

LACERA Legislative Report

cc: Lou Lazatin
John Popowich
Steven P. Rice
Jon Gabel
Anthony J. Roda, Williams & Jensen
Joe Ackler, Ackler & Associates

LACERA Legislative Report
2019-2020 Legislative Session
Status as of April 20, 2019

File name: CERL-PEPRA-2019

CA AB 472	AUTHOR: Voepel [R] TITLE: Public Employees' Retirement INTRODUCED: 02/11/2019 SUMMARY: Makes nonsubstantive changes to existing law which prescribes limits on service after retirement without reinstatement into the applicable retirement system. STATUS: 02/11/2019 INTRODUCED. Staff_Action: Monitoring
CA AB 664	AUTHOR: Cooper [D] TITLE: County Employees' Retirement: Permanent Incapacity INTRODUCED: 02/15/2019 LAST AMEND: 03/13/2019 SUMMARY: Requires, for purposes of determining permanent incapacity of certain members employed as peace officers in Sacramento County, that those members be evaluated by the retirement system to determine if they can perform all of the usual and customary duties of a peace officer. Requires the Board of Retirement to develop a method of tracking the costs of providing permanent disability retirement to the members who become eligible for disability retirement. STATUS: 04/03/2019 In ASSEMBLY Committee on PUBLIC EMPLOYMENT AND RETIREMENT: Not heard. Comments: In 2017, the Board of Retirement adopted a Neutral position on AB 283 (Cooper), a similar bill by the same author. IBLC_Recommendation: Support 04/11/2019 Staff_Recommendation: Watch
CA AB 979	AUTHOR: Reyes [D] TITLE: Judge's Retirement System II: Deferred Retirement INTRODUCED: 02/21/2019 SUMMARY: Authorizes a judge who is a member of the Judge's Retirement system to retire upon attaining both 63 years of age and 15 or more years of service, or when a judge who has accrued at least 5 years of service and who has not received specified discipline is defeated for reelection. STATUS: 03/04/2019 To ASSEMBLY Committee on PUBLIC EMPLOYMENT AND RETIREMENT. Comments: AB 979 proposes structural changes to the retirement eligibility provisions for judges and a different employee contribution percentage than that which is currently prescribed in PEPRA. Staff_Action: Monitoring
CA AB 1198	AUTHOR: Stone [D] TITLE: Public Employees' Retirement: Pension Reform

INTRODUCED: 02/21/2019

LAST AMEND: 03/21/2019

SUMMARY:

Excepts transit workers hired before a specified date, from the Public Employees' Pension Reform Act, or PEPRA, by removing the federal district court contingency language from the provision excepting certain transit workers from PEPRA.

STATUS:

03/21/2019 To ASSEMBLY Committee on PUBLIC EMPLOYMENT AND RETIREMENT.

03/21/2019 From ASSEMBLY Committee on PUBLIC EMPLOYMENT AND RETIREMENT With author's amendments.

03/21/2019 In ASSEMBLY. Read second time and amended. Re-referred to Committee on PUBLIC EMPLOYMENT AND RETIREMENT.

Comments:

The bill affects those retirement systems whose members include transit workers and whether they are subject to PEPRA.

Staff_Action: Monitoring

CA SB 430

AUTHOR: Wieckowski [D]

TITLE: Public Employees Retirement Benefits: Judges

INTRODUCED: 02/21/2019

SUMMARY:

Relates to the State Public Employees' Pension Reform Act of 2013. Excludes from the definition of "new member" a judge, as defined in specified existing law, elected to office before a certain date.

STATUS:

04/10/2019 From SENATE Committee on LABOR, PUBLIC EMPLOYMENT AND RETIREMENT: Do pass to Committee on APPROPRIATIONS. (3-0)

Staff_Action: Monitoring

CA SB 783

AUTHOR: Labor, Public Employment & Retirement Cmt

TITLE: County Employees Retirement Law of 1937

INTRODUCED: 03/07/2019

SUMMARY:

Corrects several erroneous and obsolete cross references within the County Employees Retirement Law of 1937.

STATUS:

03/20/2019 To SENATE Committee on LABOR, PUBLIC EMPLOYMENT AND RETIREMENT.

Staff_Action: Monitoring

File name: Federal-2019

US HR 141

SPONSOR: Davis R [R]

TITLE: Government Pension Offset Repeal

INTRODUCED: 01/03/2019

SUMMARY:

Amends Title II of the Social Security Act; repeals the Government pension offset and windfall elimination provisions.

STATUS:

01/31/2019 In HOUSE Committee on WAYS AND MEANS: Referred to

BOR_Position: Subcommittee on SOCIAL SECURITY.
Support 04/11/2019
IBLC_Recommendation: Support 03/14/2019
Staff_Recommendation: Support

US S 521

SPONSOR: Brown S [D]
TITLE: Government Pension Offset Repeal
INTRODUCED: 02/14/2019
SUMMARY:

Amends Title II of the Social Security Act; repeals the Government pension offset and windfall elimination provisions.

STATUS:

02/14/2019 INTRODUCED.
02/14/2019 In SENATE. Read second time.
02/14/2019 To SENATE Committee on FINANCE.
BOR_Position: Support 04/11/2019
IBLC_Recommendation: Support 03/14/2019
Staff_Recommendation: Support

File name: Other-2019

CA AB 287

AUTHOR: Voepel [R]
TITLE: Public Employees' Retirement: Annual Audits
INTRODUCED: 01/28/2019
SUMMARY:

Requires each state and local pension or retirement system to post a concise annual audit of the investments and earnings of the system on that system's internet website no later than the ninetieth day following the audit's completion.

STATUS:

02/07/2019 To ASSEMBLY Committee on PUBLIC EMPLOYMENT AND RETIREMENT.
IBLC_Recommendation: Support 04/11/2019
Staff_Recommendation: Neutral

CA AB 1212

AUTHOR: Levine [D]
TITLE: Public Employees' Retirement: Pension Fund
INTRODUCED: 02/21/2019
SUMMARY:

Requires a state agency that is responsible for infrastructure projects to produce a list of priority infrastructure projects for funding consideration by the retirement boards, as described, and to provide it to them. Requires a state agency also to provide further project information to a board upon request.

STATUS:

03/11/2019 To ASSEMBLY Committee on PUBLIC EMPLOYMENT AND RETIREMENT.
Staff_Action: Monitoring

CA AB 1332

AUTHOR: Bonta [D]
TITLE: Sanctuary State Contracting and Investment Act
INTRODUCED: 02/22/2019
LAST AMEND: 04/10/2019
SUMMARY:

Enacts the Sanctuary State Contracting and Investment Act, which would, among other things, prohibit a state or local agency from entering into a new,

amended, or extended contract or agreement with any person or entity that provides a federal immigration agency with any data broker, extreme vetting, or detention facilities services, unless state or local agency has made a finding that no reasonable alternative exists.

STATUS:

04/11/2019 In ASSEMBLY. Suspend Assembly Rule 96.

04/11/2019 Re-referred to ASSEMBLY Committee on JUDICIARY.

Staff_Action: Monitoring

CA SJR 3

AUTHOR: Wilk [R]

TITLE: Social Security Act

INTRODUCED: 03/04/2019

SUMMARY:

Requests the Congress of the United States to enact, and the President to sign, legislation that would repeal the Government Pension Offset and the Windfall Elimination Provision from the Social Security Act.

STATUS:

03/14/2019 Re-referred to SENATE Committee on LABOR, PUBLIC EMPLOYMENT AND RETIREMENT.

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FOR INFORMATION ONLY

April 16, 2019

TO: Each Member
Board of Retirement
Board of Investments

FROM: Lou Lazatin
Chief Executive Officer

Steven P. Rice *SPR*
Chief Counsel

FOR: May 1, 2019 Board of Retirement Meeting
May 15, 2019 Board of Investments Meeting

SUBJECT: Final Procedures and Schedule for 2019 Board Elections

Staff previously provided the Board of Retirement and Board of Investments with information about this year's LACERA Board elections, and specifically the County's intention to use e-voting. The Boards provided input about e-voting, which was shared with the County. The County acknowledged the Boards' comments and concerns and made efforts to address them. The Boards also requested that LACERA staff be actively engaged with County staff. As a result, LACERA staff communicated with County personnel as the election procedures were developed and finalized. The County and LACERA had a productive collaboration.

On April 9, 2019, the Board of Supervisors (BOS) adopted the resolution for this year's elections, which will be for the safety member seats on both Boards. The BOS Board letter and resolution are attached. The resolution provides for online e-voting and telephonic voting options. The election schedule is:

Nomination packages available: On and after Monday, May 20, 2019

Completed petitions/qualifications due: Tuesday, June 18, 2019

Voting Period: Monday, August 5, 2019 to Friday, August 30, 2019

Election results confirmed by BOS Executive Officer: By Monday, September 9, 2019

Results declared official by the BOS: By Tuesday, October 15, 2019

The term of office begins on January 1, 2020.

Attachments

c: Jonathan Grabel
JJ Popowich



CELIA ZAVALA
EXECUTIVE OFFICER

COUNTY OF LOS ANGELES BOARD OF SUPERVISORS

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 383
LOS ANGELES, CALIFORNIA 90012
(213) 974-1411 • FAX: (213) 620-0636

MEMBERS OF THE BOARD

HILDA L. SOLIS

MARK RIDLEY-THOMAS

SHEILA KUEHL

JANICE HAHN

KATHRYN BARGER

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

17 April 9, 2019

CELIA ZAVALA
EXECUTIVE OFFICER

April 09, 2019

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

Dear Supervisors:

ELECTION OF THE SEVENTH MEMBER AND ALTERNATE SAFETY MEMBER OF THE BOARD OF RETIREMENT AND THE FOURTH MEMBER OF THE BOARD OF INVESTMENTS (ALL DISTRICTS) (3-VOTES)

SUBJECT

ADOPTION OF RESOLUTION ESTABLISHING THE GOVERNING PROCEDURES FOR THE 2019 LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION (LACERA) ELECTION.

IT IS RECOMMENDED THAT THE BOARD:

Adopt the attached resolution establishing the procedures to elect the Seventh Member and Alternate Safety Member of the Board of Retirement and the Fourth Member of the Board of Investments for the Los Angeles County Employees Retirement Association (LACERA), with three-year terms beginning on January 1, 2020, and expiring on December 31, 2022; and instruct the Executive Officer of the Board of Supervisors to send notice of the election and copies of the election resolution to all County departments that employ Safety Members of LACERA.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The County Employees Retirement Law of 1937 provides for the membership of the Board of Retirement and the Board of Investments of LACERA. Every year the Board of Supervisors adopts, by resolution, the election procedures for members of the Board of Retirement and the Board of Investments of LACERA whose terms of office will expire on December 31st of that year.

Implementation of Strategic Plan Goals

Approval of the attached resolution broadly supports the County Strategic Goal of Operational Effectiveness/Fiscal Responsibility and Accountability.

FISCAL IMPACT/FINANCING

The cost of conducting the LACERA election will be absorbed within the Board of Supervisor's and the Registrar-Recorder/County Clerk's budgets.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Government Code Sections 31520.1 and 31520.2 grant the Board of Supervisors the authority to conduct the election for the elected members of the Board of Retirement and the Board of Investments. Your Board has given the Executive Officer of the Board of Supervisors the responsibility for coordinating these elections with the Registrar-Recorder/County Clerk, LACERA and with County departments through departmental election coordinators.

The election for the Seventh Member and Alternate Safety Member of the Board of Retirement and the Fourth Member of the Board of Investments is a regular election to fill terms of office that expire on December 31, 2019. Active Safety Members of LACERA on May 15, 2019, are eligible to vote in this election. The total eligible voting population in this election is approximately 13,000 persons. In an effort to reduce costs and increase voter turnout, voters will be able to cast their votes either online or by telephone, thereby eliminating the need for, and costs of, paper ballots.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Besides the evident need to fill these offices on the Board of Retirement and the Board of Investments, this election provides an opportunity for Safety Members to participate in selecting board members whose official decisions have a great impact on their own retirement system. Thus, County departments must ensure that any communication from the Executive Officer concerning this election is posted and/or distributed in a timely manner. As always, departments will be called upon to respond immediately to situations that may surface. It is important to emphasize that the integrity of these elections often rests with a department's cooperation and active participation in the election process.

The Honorable Board of Supervisors

4/9/2019

Page 3

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Celia Zavala".

CELIA ZAVALA

Executive Officer, Board of Supervisors

CZ:dg

Enclosures

c: Chief Executive Officer
County Counsel
Chief Executive Officer, LACERA
Registrar-Recorder/County Clerk
Auditor-Controller
Director, Internal Services Department

**RESOLUTION ESTABLISHING THE ELECTION FOR SEVENTH MEMBER AND
ALTERNATE SAFETY MEMBER OF THE BOARD OF RETIREMENT
AND FOURTH MEMBER OF THE BOARD OF INVESTMENTS**

WHEREAS, under the provisions of the County Employees Retirement Law of 1937, the Board of Retirement shall consist of nine members and two alternate members; the Board of Investments shall consist of nine members; and

WHEREAS, the term of the Seventh and Alternate Safety Member of the Board of Retirement, and Fourth Member of the Board of Investments, will expire on December 31, 2019; and

WHEREAS, pursuant to the provisions of the County Employees Retirement Law of 1937, Section 31520.1 and 31520.2 of the Government Code, a successor shall be elected to fill the offices for the term beginning January 1, 2020, at an election conducted in a manner to be determined by the Board of Supervisors:

NOW, THEREFORE, BE IT RESOLVED by the Board of Supervisors of the County of Los Angeles that the nomination of candidates and the election of the Seventh Member and Alternate Safety Member of the Board of Retirement, Los Angeles County Employees Retirement Association (LACERA), and election of the Fourth Member of the Board of Investments (LACERA), elected by the Safety Members of said Retirement Association to fill the term beginning January 1, 2020, and expiring December 31, 2022, shall be in accordance with the rules and process herein prescribed:

1. The Executive Officer of the Board of Supervisors shall administer the election for the Seventh Member and Alternate Safety Member of the Board of Retirement of LACERA, and the Fourth Member of the Board of Investments of LACERA.
2. The Executive Officer of the Board of Supervisors shall, on or before Tuesday, April 30, 2019, notify department heads who employ Safety Members of the election and shall provide department heads with an election notice for use in notifying their respective employees.

3. Department heads with Safety Member employees in their departments shall notify their employees of the election by posting sufficient copies of the election notice in work areas on or before Tuesday, May 14, 2019.
4. The Executive Officer of the Board of Supervisors, through a coordinated effort with the Internal Services and Auditor-Controller Departments, shall, on or before Friday, May 17, 2019, send an email to Safety Members within the County that have County email addresses, advising them of the upcoming LACERA election.
5. Each department head with Safety Members in his or her department shall appoint at least one employee who will act as the departmental election coordinator, and at least one employee who will act as the alternate departmental election coordinator. Election coordinators and alternate coordinators shall be responsible for communicating election information to the employees of the department, and shall attend all training sessions, as specified by the Executive Officer of the Board of Supervisors, regarding the administration of the election. Departments with work locations which have more than 100 employees who are eligible to vote are urged to select an on-site election coordinator for each of these locations. It is the responsibility of the department head to notify the Executive Office of the Board of Supervisors at (213) 974-1093 or email to LACERA_ELECTION@bos.lacounty.gov the names, telephone numbers, work place mailing addresses and/or email addresses for employees appointed on or before Monday, May 13, 2019.
6. LACERA Safety Member candidates shall a) be active Safety Members of LACERA on May 15, 2019, b) submit the required documents in the nomination packet to the Registrar-Recorder/County Clerk's office and c) be nominated by a petition signed by at least fifty (50) active Safety Members of LACERA, who themselves were active Safety Members on May 15, 2019, and no member may sign more than one nominating petition. Nomination packets may be obtained from the Registrar-Recorder/County Clerk, 12400 Imperial Highway, Norwalk, 90650, on or after Monday, May 20, 2019. Nomination packets contain: (1) nomination petitions; (2) Candidate Statement of Qualifications Form; (3) resolution; and (4) candidate information booklet. Nominating petitions must be filed with the Registrar-

Recorder/County Clerk, 12400 Imperial Highway, Norwalk, 90650, no later than 5:00 p.m. on Tuesday, June 18, 2019.

7. Each department head shall allow nominees to solicit nominating signatures and candidates to engage in campaign-related activities during working hours on County property provided such signature solicitation and campaign activities are conducted during the employees' lunch, break time, or other off-duty time and does not interfere with County operations or the conduct of County business.
8. The Registrar-Recorder/County Clerk shall examine the signatures on the nominating petitions and notify each nominee of his or her status, no later than Friday, June 21, 2019. If the Registrar-Recorder/County Clerk determines that only one member has been duly nominated, pursuant to the provisions of the County Employees Retirement Law of 1937, Sections 31523 and 31523.1 of the Government Code, the Registrar-Recorder/County Clerk shall notify the Board of Supervisors and the Board of Supervisors shall order that no election be held and the Executive Officer of the Board of Supervisors shall be directed to cast a unanimous ballot in favor of such nominated member. If more than one member has been duly nominated, The Registrar-Recorder/County Clerk shall certify to the Executive Officer of the Board of Supervisors by Friday, June 21, 2019, the names of the candidates to be placed on the official ballot.
9. Nominees in this election may file with the Registrar-Recorder/County Clerk a statement of qualifications of not more than 200 words. Words shall be counted as provided in Elections Code Section 9. Any statement of qualifications filed with the Registrar-Recorder/County Clerk shall be limited to a recitation of the nominee's own personal background and qualifications, and shall not in any way make reference to other nominees or to another nominee's qualifications. A nominee may file his or her statement of qualifications beginning Monday, May 20, 2019 and ending Tuesday, June 18, 2019. No statement of qualifications may be withdrawn and/or re-filed after 5:00 p.m., Tuesday, June 18, 2019. The statement shall become a part of the official voting material, except as provided in paragraph 10, below.

10. Within 5 days of receipt of a candidate's statement of qualifications, the Registrar-Recorder/County Clerk shall examine the statement of qualifications. Any statement of qualifications which the Registrar-Recorder/County Clerk determines is not limited to a recitation of the nominee's own personal background and qualifications or which includes any reference to other nominees or to another nominee's qualifications shall not be printed or circulated by the Registrar-Recorder/County Clerk. The Registrar-Recorder/County Clerk shall notify each nominee by telephone at his or her telephone number that the nominee has provided, and via U.S. Mail sent to the nominee's mailing address if the nominee's statement of qualifications is rejected pursuant to this provision. The decision of the Registrar-Recorder/County Clerk to accept or reject a nominee's statement of qualifications is final. However, a candidate may re-file a statement of qualifications for reconsideration prior to 5:00 p.m., Tuesday, June 18, 2019. Any judicial proceeding challenging the decision of the Registrar-Recorder/County Clerk to reject or accept a nominee's statement of qualifications shall be governed, to the extent determined applicable by the courts, under the procedures set forth in Elections Code Section 13314.

11. Candidates' statements of qualifications will be available for public inspection at the Registrar-Recorder/County Clerk, 12400 Imperial Highway, Norwalk, 90650, beginning on Monday, June 24, 2019, and ending at 5:00 p.m. Friday, June 28, 2019. On Monday, July 1, 2019, candidates' statements of qualifications approved by the Registrar-Recorder/County Clerk may be viewed at:

<http://bos.co.la.ca.us/Services/ConflictofInterest/LACERAElection.aspx>

12. A public drawing will be held to determine the ballot order at 2:00 p.m. on Wednesday, June 26, 2019, in the Executive Office of the Board of Supervisors, B-1 Kenneth Hahn Hall of Administration, 500 West Temple Street, Los Angeles.

13. Any County employee who is a candidate in this election is a candidate in his or her personal capacity, and may not use County time or County resources to further his or her campaign or election. Any candidate who violates this provision, or has others violate this provision on behalf of his or her candidacy, is subject to discipline, including discharge from County employment.

14. Each department head shall designate existing departmental bulletin board space for all candidates to display campaign material. Campaign material shall clearly state that employees are prohibited from using County time or County resources to further the campaign or election of the candidate.
15. Upon request of a candidate, on or after Monday, June 24, 2019, each department head shall provide the address of each department's work locations where employees who are eligible to vote in this election are employed.
16. Except as otherwise prohibited by law, employees may wear campaign badges or buttons during working hours.
17. Eligible voters will be able to cast their votes either online or by telephone beginning Monday, August 5, 2019, through the closing of the election on Friday, August 30, 2019. The online voting system will be provided through a secure website and can be accessed using any web enabled device. The telephone voting system will be provided through a dedicated toll-free number for voters using a touch-tone dial pad. The online voting and telephone system shall be available 24 hours per day, seven days a week, with 99% up-time during the voting period.
18. Members eligible to vote in this election shall be Safety Members of LACERA on May 15, 2019. In coordination with the Auditor-Controller and Internal Services Department, the Executive Officer of the Board of Supervisors will obtain an electronic file of eligible Safety Members who were active Safety Members of LACERA on May 15, 2019.
19. Safety Members eligible to vote in this election who have valid County email addresses will be sent login credentials to their County email address on opening voting day Monday, August 5, 2019. The email will contain: (1) a URL link to the online voting website; (2) toll-free number to the telephone voting system; (3) username, identified as the employee number; (4) unique pin number; (5) voting instructions; and (6) links to candidate statements (if applicable) and statement of

powers and duties of Board of Retirement Member (Attachment A) and Board of Investments Member (Attachment B). An added layer of security will require eligible voters to provide additional identifying information before gaining access to the online or telephone voting system.

Eligible voters who do not have a valid email address will be identified before the election period and will receive login credentials and voter information by U.S. mail that will be mailed no later than 5:00 p.m. on Thursday, August 1, 2019.

20. The online voting system will require voters to enter their login credentials and other identifying information. Once logged in, the online voting website will include the following: (1) a list of the certified candidates and sufficient information to acquaint members with the nature of the election and the proper method of casting an electronic ballot; (2) a link to the statements of qualifications if properly filed by the candidate; and (3) a link to the statement of powers and duties of the Board Members. Voters will be able to mark their selection for each seat and make changes before confirming their final selections.
21. The telephone voting system will require voters to enter their login credentials and other identifying information before accessing their telephonic ballot. The telephone system will play a recording of the election seat and the candidates for the seat, along with a corresponding number for the voter to select the candidate of their choosing, or allow the voter to move on to the next election seat if they choose not to cast a vote for any candidate. Once the voter has selected the corresponding number of the candidate they wish to vote for using their touch-tone dial pad, the telephone system will ask the voter to confirm the vote or go back to the menu selection of candidates. If the voter confirms their candidate selection, the telephone system will proceed to the next election seat following the same steps noted in this paragraph.
22. No member may vote more than once in this election. The online and telephone system will include controls to prevent a voter from accessing their online or telephonic ballot if a ballot has been cast. Eligible voters will have the opportunity to

review their final selections before casting their online/telephonic vote as final. Once a final ballot is cast by the voter, a unique receipt code will be displayed online for the voter to print or write down for reference, and receipt codes provided by the telephone voting system will be recited for the voter to write down.

23. The Executive Office of the Board of Supervisors shall provide eligible voters with the contact information to use if voter assistance is needed. Contact information will be provided with the login information sent to voters, listed on the online voting system, and posted on the Executive Office of the Board of Supervisors' website.
24. The Executive Officer of the Board of Supervisors shall confirm the election results on or before Monday, September 9, 2019.
25. The Executive Office of the Board of Supervisors shall (a) telephone each candidate receiving more than 20 percent of the total votes cast at his or her telephone number provided as to the results on or before Monday, September 9, 2019, and (b) send written notice of the results via U.S. Mail to each candidate's mailing address, or send electronic mail to those candidates who prefer electronic communication on or before Monday, September 9, 2019.
26. In the event any candidate desires to protest the results of the election, he or she must file a written protest with the Executive Office of the Board of Supervisors no later than 5:00 p.m., Friday, September 13, 2019. The written protest must specify the grounds for the protest and be accompanied by supporting documentation.
27. In the event that a candidate makes a request for a recount, the requestor shall bear the cost of such recount and shall file a written request with the Executive Officer of the Board of Supervisor no later than 5:00 p.m., Friday September 13, 2019. The requester of the recount shall, before the recount is commenced deposit with the Executive Officer of the Board of Supervisors a sum as required by the Executive Officer of the Board of Supervisors to cover the cost of the recount. The Executive Officer of the Board of Supervisors shall commence a recount no later than Friday, September 20, 2019. In the event the recount results in a determination that the

candidate who requested the recount has received a plurality of the votes cast, all money deposited shall be returned to the requester.

28. The Board of Supervisors at its meeting on or before Tuesday, October 15, 2019, or on a date following the completion of any recount and/or investigation of a protest, shall declare the results official. The person receiving the highest number of votes for the Seventh Member, Board of Retirement, and Fourth Member, Board of Investments, shall be declared elected. The elected Alternate Safety Member of the Board of Retirement shall be that candidate, if any, for the Seventh Member from the group under Government Code Section 31470.2 or 31470.4, or any other eligible Safety Member candidate, if there is no eligible candidate from the groups under Sections 31470.2 and 31470.4 which is not represented by the candidate who received the highest number of votes of all candidates in that group. In the event of a tie, such persons shall determine which of them shall be elected by drawing lots before the Board of Supervisors.
29. In lieu of declaring the results official, the Board of Supervisors may order a new election if the Board determines, on the basis of written protest or on its own motion, that any error, omission or neglect occurred attributable to the County in the administration of the election sufficient to change the result. The rejection of a candidate's statement of qualifications by the Registrar-Recorder/County Clerk, or the failure of the Registrar-Recorder/County Clerk to reject a candidate's statement of qualifications shall not constitute grounds for a new election. Allegations of candidate misconduct shall not constitute grounds for a new election, but if later substantiated may lead to administrative discipline or criminal culpability.
30. Election material/data retained by the Executive Office of the Board of Supervisors and its affiliates; nominating petitions retained by the Registrar-Recorder/County Clerk may be discarded or otherwise disposed of no earlier than sixty (60) days after the date of the final declaration of the election results by the Board of Supervisors.
31. The Executive Officer of the Board of Supervisors may, in the exercise of her discretion, implement additional procedures, as she may deem necessary in order to

preserve a fair and equitable election process. The Executive Officer of the Board of Supervisors shall, within ten (10) days, notify the Board of Supervisors, the Boards of Investments and Retirement and all candidates of any additional procedures implemented pursuant to this provision.

The foregoing resolution was adopted on the 9th day of April, 2019, by the Board of Supervisors of the County of Los Angeles and ex officio the governing body of all other special assessment and taxing districts, agencies and authorities for which said Board so acts.



Celia Zavala, Executive Officer-
Clerk of the Board of Supervisors of the
County of Los Angeles

By: *Tanya Ruiz*
Deputy

APPROVED AS TO FORM:
MARY WICKHAM
County Counsel

By *Gina Eachus*
Gina Eachus
Senior Deputy County Counsel

**POWERS AND DUTIES
OF RETIREMENT BOARD MEMBERS**

The Board of Retirement provides this summary to enable voters to evaluate candidates for the Board. The Board urges voters to review this summary prior to voting.

INTRODUCTION

The overall responsibility of the Board of Retirement is to oversee the administration of the retirement pension system and the retiree health care program to ensure that members are provided with the promised benefits upon completion of their public service with Los Angeles County and other participating public employers. In total, members of the Board of Retirement can expect to commit approximately 120-140 hours of their time each month to discharging their duties to the retirement system.

As to those elected Board members who are employed by the County or a participating district, the law provides that these LACERA duties are included as part of their County or other public employment and shall normally take precedence over any other duties. Given the time commitment necessary to fulfill the responsibilities of Board membership, elected Board members will be required to spend a great majority of their working time each month in carrying out their important LACERA duties and responsibilities.

The responsibilities and duties of Board members are explained in detail below.

BOARD MEMBER RESPONSIBILITIES

A Board member's duties include:

1. ***Board and Committee Meetings.*** The Board meets twice each month unless otherwise specified, usually on the first Wednesday and second Thursday, with each meeting generally lasting from 6 to 8 hours. In addition, the Board has established committees to assist in carrying out its responsibilities. The Board also shares additional committees jointly with the system's Board of Investments, including the Audit Committee. Some committees meet monthly; others meet less frequently but up to several times per year. Committee meetings may be held both before and after regular Board meetings, and at other times, and generally last 1 to 2 hours. In addition to the time required to attend meetings, considerable time is required to prepare for meetings and review relevant materials developed by staff and management.
2. ***General Management.*** The general management of LACERA is under the Board of Retirement's oversight. To exercise this responsibility, the Board establishes policies, procedures, and governance processes, and

receives, discusses, and questions reports on operational activities. A few management functions are shared with the Board of Investments. The Boards of Retirement and Investments, acting jointly, adopt the annual budget covering LACERA's operations. The two Boards also act jointly in certain employee relations matters, including approval of Memoranda of Understanding (MOU's) negotiated with SEIU Local 721, the union bargaining for represented employees of LACERA, and approval of compensation to be provided to LACERA's nonrepresented employees. The Board of Retirement is not responsible for investments or for the adoption of funding policies and the setting of contribution rates. The Legislature assigned those responsibilities to the Board of Investments.

3. ***Payment of Retirement Pension Benefits.*** The Board of Retirement administers a statutory retirement plan; it does not establish retirement benefits. This means that retirement benefits can only be provided if they have been authorized by the State Legislature in the County Employees Retirement Law of 1937, found in the California Government Code beginning at Section 31450, and the California Public Employees' Pension Reform Act of 2013, found in the California Government Code beginning at Section 7522. Retirement benefits not authorized by the retirement laws cannot be implemented by the Board of Retirement; rather, a bill must be processed through the Legislature to amend the retirement laws. With only a few exceptions, the Legislature has required the County Board of Supervisors to adopt a resolution approving benefit enhancements before they can take effect.
4. ***Disability Retirement Applications.*** One of the most important – and by far the most time consuming – duties of a Board member is to review disability retirement applications and to participate in the Board's decision to grant or deny disability retirements according to applicable legal standards. It is anticipated the Board of Retirement will process approximately 30 to 50 disability retirement cases per month. Board members carefully review each application and the medical evidence supporting the application. A Board member will then participate in the Board's deliberations and vote on each application.
5. ***Retiree Healthcare Benefits.*** The Board oversees the administration of retiree healthcare benefits under contract with the County and other participating employers.
6. ***Claims and Litigation.*** The Board decides claims made by members concerning their benefits and related issues. The Board also oversees litigation, other than securities litigation.
7. ***Retention and Oversight of Vendors, Consultants, and Experts.*** The Board approves and oversees the retention and performance of vendors, consultants, and experts to assist in the administration of the system and to aid the Board when appropriate.

8. **Delegation.** The day-to-day operations of the retirement system are delegated to staff and outside service providers. Board members consider what responsibilities will be delegated and to whom delegation is made. Board members ensure that delegated responsibilities are properly performed through monitoring, questioning, and accountability.
9. **Legal Compliance.** The Board ensures that the retirement system maintains compliance with the plan documents and all applicable laws governing the system. Board members comply with this responsibility by conducting a periodic review of plan documents and monitoring changing legal requirements.
10. **Education.** Board members are legally required to educate themselves on appropriate topics, which may include benefits administration, disability evaluation, fair hearings, pension fund governance, new board member orientation, ethics, and fiduciary responsibilities, among other topics. Such education must consist of a minimum of 24 hours within two years of assuming office and 24 hours every subsequent two-year period the member continues on the Board.
11. **Involvement.** Board members may participate in state and national pension and retirement related organizations, including serving as an executive or committee member in these organizations. Board members may also represent LACERA's interests through engagement with the legislative and executive branches of state and federal government.

FIDUCIARY DUTIES

Board members have the following fiduciary duties:

1. **Duty of Loyalty.** The California Constitution provides that Board of Retirement members are fiduciaries and are required to, "discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A retirement board's duty to its participants and their beneficiaries shall take precedence over any other duty." All Board members, whether elected or appointed, have the same fiduciary duty. The Board members' duty of loyalty at all times is to the participants and beneficiaries as a whole. Board members do not serve as the agent or representative of the agency or group responsible for their election or appointment. Where different groups of participants have different interests on an issue, Board members have a duty to be impartial as between conflicting participant interests and act to serve the overall best interests of all of the participants of the system.
2. **Duty of Care.** The California Constitution provides that assets of the retirement system are trust funds to be used only for the purpose of

providing benefits and paying the costs of administering the system. Under the Constitution, members of the Board of Retirement “shall discharge their duties with respect to the system with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.”

The duty of care means that Board members must exercise reasonable effort and diligence in administering and exercising oversight over the system, including: implementing, and periodically reviewing and updating, policies, procedures, and processes; requesting necessary reports and information; analyzing the information, advice, and recommendations received; asking questions; seeking expert advice when required from staff and outside expert consultants; deliberating carefully before making decisions; and understanding the reason for actions before taking them. Board members must monitor the administration of the system, follow the plan documents and applicable law, and take corrective action when required to ensure the sound administration of the system so that benefits and related services are timely and correctly delivered to participants and their beneficiaries and the other matters under the responsibility of the Board of Retirement are properly performed.

CONFLICTS OF INTEREST

Board members must be free of conflicts of interest in compliance with applicable legal requirements and LACERA’s Conflict of Interest Code and Code of Ethical Conduct. Board members must disclose conflicts of interest when they arise, and they cannot participate in decisions that will impact, positively or negatively, their own financial interests or the interests of certain of their related persons and entities. Board members are public officials under California conflict of interest laws, and they must be familiar with and follow those laws. Board members are subject to public disclosure of their economic interests and annual reporting requirements under the Political Reform Act and Fair Political Practices Commission regulations. Violation of conflict of interest laws and regulations can result in civil and criminal penalties. Conflict of interest laws and regulations are complex, and Board members should seek legal advice when appropriate. See <http://www.fppc.ca.gov/> for more information.

APPROVED BY THE BOARD OF RETIREMENT ON FEBRUARY 14, 2019.

**POWERS AND DUTIES
OF INVESTMENTS BOARD MEMBERS**

The Board of Investments provides this summary to enable voters to evaluate candidates for the Board. The Board urges voters to review this summary prior to voting.

INTRODUCTION

The Board of Investments oversees investment of LACERA's pension retirement fund (\$56.3 billion as of June 30, 2018) and determination of County and member contribution rates. In total, members of the Board of Investments can expect to commit approximately 80 hours of their time each month to discharging their duties to the retirement system.

As to those elected Board members who are employed by the County or a participating district, the law provides that these LACERA duties are included as part of their County or other public employment and shall normally take precedence over any other duties. Given the time commitment necessary to fulfill the responsibilities of Board membership, elected Board members will be required to spend a great majority of their working time each month in carrying out their important LACERA duties and responsibilities.

The responsibilities and duties of Board members are explained in detail below.

BOARD MEMBER RESPONSIBILITIES

A Board member's duties include:

1. ***Board and Committee Meetings.*** The Board meets once each month unless otherwise specified, usually on the second Wednesday, with each meeting generally lasting from 6 to 8 hours. In addition to the time required to attend meetings, approximately 24 hours per meeting is required to prepare for meetings and review relevant materials developed by staff and management. The Board has established committees to assist in carrying out its responsibilities. The Board also shares additional committees jointly with the system's Board of Retirement, including the Audit Committee. Committee meetings may be held both before and after regular Board meetings, and at other times, and generally last 1 to 2 hours per committee plus additional preparation time of a similar or greater number of hours.

2. ***Pension Fund Investments.*** The Board of Investments has exclusive control of all retirement system investments and is responsible for establishing investment beliefs and objectives, the asset allocation for the portfolio, strategies, policies, and governance processes, which are subject to change by Board action. The Board evaluates risk and return,

including consideration of corporate governance issues. The Board makes these decisions based on information and input provided by staff and external consultants. Currently, LACERA's investment portfolio is, with a few exceptions, externally managed. The Board does not make individual investment selections for the externally managed portfolio; rather, it selects investment advisors and managers to make investments for LACERA in accordance with investment objectives and guidelines established by the Board. The Board of Investments and its staff then regularly monitor and evaluate the investment activities and results of its advisors and managers.

3. **Retiree Healthcare Funds.** Under agreement with the County and other participating employers, the Board of Investments manages and invests trust funds prepaid for future retiree healthcare benefits.
4. **Contribution Rates and Actuarial Services.** Using an actuarial valuation process, the Board of Investments determines the level of contributions necessary to fund retirement benefits. The Board of Investments is responsible for setting actuarial valuation policies, selecting the actuary who will perform the valuation, and approving the actuarial valuation services provided. The actuary submits to the Board of Investments for the Board's approval such changes in County and member contribution rates as are necessary to fund retirement benefits.
5. **Securities Litigation.** The Board of Investments, with the assistance of counsel and staff, is charged with actively identifying, evaluating and monitoring securities class action lawsuits in which the fund has sustained a loss, and to determine whether the best interests of the fund are served by actively participating in such cases.
6. **Other Fund Management.** A few management functions are shared with the Board of Retirement. The Boards of Retirement and Investments, acting jointly, adopt the annual budget covering LACERA's operations. The two Boards also act jointly in certain employee relations matters, including the approval of class specifications for LACERA's employees, the approval of Memoranda of Understanding (MOU's) negotiated with SEIU Local 721, the union bargaining for represented employees of LACERA, and the approval of compensation to be provided to LACERA's nonrepresented employees. The Board of Investments is not responsible for general administration of the retirement system and benefits. The Legislature assigned those responsibilities to the Board of Retirement.
7. **Retention and Oversight of Vendors, Consultants, and Experts.** The Board approves and oversees the retention and performance of vendors, consultants, and experts to assist in system operations and aid the Board when appropriate.

8. **Delegation.** The day-to-day investment operations of the retirement system are delegated to staff and outside service providers. Board members consider what responsibilities will be delegated and to whom delegation is made. Board members ensure that delegated responsibilities are properly performed through monitoring, questioning, and accountability.
9. **Legal Compliance.** The Board ensures that the retirement system maintains compliance with the plan documents and all applicable laws governing the system. Board members comply with this responsibility by conducting a periodic review of plan documents and monitoring changing legal requirements.
10. **Education.** Board members are legally required to educate themselves on appropriate topics, which may include pension fund investments and investment management processes, actuarial matters, pension funding, pension fund governance, new board member orientation, ethics, and fiduciary responsibilities, among other topics. Such education must consist of a minimum of 24 hours within two years of assuming office and 24 hours every subsequent two-year period the member continues on the Board.
11. **Involvement.** Board members may participate in state and national pension and investment related organizations, including serving as an executive or committee member in these organizations. Board members may also represent LACERA's interests through engagement with the legislative and executive branches of state and federal government.

FIDUCIARY DUTIES

Board members have the following fiduciary duties:

1. **Duty of Loyalty.** The California Constitution provides that Board of Investments members are fiduciaries and are required to, "discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A retirement board's duty to its participants and their beneficiaries shall take precedence over any other duty." All Board members, whether elected or appointed, have the same fiduciary duty. The Board members' duty of loyalty at all times is to the participants and beneficiaries as a whole. Board members do not serve as the agent or representative of the agency or group responsible for their election or appointment. Where different groups of participants have different interests on an issue, Board members have a duty to be impartial as between conflicting participant interests and act to serve the overall best interests of all of the participants of the system.

2. **Duty of Care.** The California Constitution provides that assets of the retirement system are trust funds to be used only for the purpose of providing benefits and paying the costs of administering the system. Under the Constitution, members of the Board of Investments “shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly not prudent to do so.” Governing law provides that the Board “may, in its discretion, invest, or delegate the authority to invest, the assets of the fund through the purchase, holding, or sale of any form or type of investment, financial instrument, or financial transaction when prudent in the informed opinion of the board.” The Constitution further requires that Board members “shall discharge their duties with respect to the system with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.”

The duty of care means that Board members must exercise reasonable effort and diligence in administering and exercising oversight over the investments of the system, including: implementing, and periodically reviewing and updating, policies, procedures, and processes; requesting necessary reports and information; analyzing the information, advice, and recommendations received; asking questions; seeking expert advice when required from staff and outside expert consultants; deliberating carefully before making decisions; and understanding the reason for actions before taking them. Board members must monitor the investments of the system, follow the plan documents and applicable law, and take corrective action when required to ensure the sound administration of the retirement fund’s investments and the other matters under the responsibility of the Board of Investments are properly performed.

CONFLICTS OF INTEREST

Board members must be free of conflicts of interest in compliance with applicable legal requirements and LACERA’s Conflict of Interest Code and Code of Ethical Conduct. Board members must disclose conflicts of interest when they arise, and they cannot participate in decisions that will impact, positively or negatively, their own financial interests or the interests of certain of their related persons and entities. Board members are public officials under California conflict of interest laws, and they must be familiar with and follow those laws. Board members are subject to public disclosure of their economic interests and annual reporting requirements under the Political Reform Act and Fair Political Practices Commission regulations. Violation of conflict of interest laws and regulations can result in civil and criminal penalties. Conflict of interest laws and regulations are complex, and Board members should seek legal advice when appropriate. See <http://www.fppc.ca.gov/> for more information.

APPROVED BY THE BOARD OF INVESTMENTS ON FEBRUARY 13, 2019.



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

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



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LACERA
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