

LIVE VIRTUAL COMMITTEE MEETING



TO VIEW VIA WEB



TO PROVIDE PUBLIC COMMENT

You may submit a request to speak during Public Comment or provide a written comment by emailing PublicComment@lacera.com. If you are requesting to speak, please include your contact information, agenda item, and meeting date in your request.

Attention: Public comment requests must be submitted via email to PublicComment@lacera.com no later than 5:00 p.m. the day before the scheduled meeting.

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION
300 N. LAKE AVENUE, SUITE 650, PASADENA, CA

AGENDA

A SPECIAL MEETING OF THE JOINT ORGANIZATIONAL GOVERNANCE COMMITTEE AND THE BOARD OF RETIREMENT AND BOARD OF INVESTMENTS*

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

8:00 A.M. TUESDAY, NOVEMBER 17, 2020

This meeting will be conducted by the Board of Retirement and Board of Investments by teleconference under the Governor's Executive Order No. N-29-20.

Any person may view the meeting online at
https://members.lacera.com/lmpublic/live_stream.xhtml.

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

- I. CALL TO ORDER
- II. APPROVAL OF MINUTES
 - A. Approval of the Minutes of the Joint Organizational Governance Committee of October 27, 2020
- III. PUBLIC COMMENT
(*You may submit written public comments by email to PublicComment@lacera.com. Please include the agenda number and meeting date in your correspondence. Correspondence will be made part of the official record of the meeting. Please submit your written public comments or documentation as soon as possible and up to the close of the meeting.

You may also request to address the Boards. A request to speak must be submitted via email to PublicComment@lacera.com no later than 5:00 p.m. the day before the scheduled meeting. Please include your contact information, agenda item, and meeting date so that we may contact you with information and instructions as to how to access the Board meeting as a speaker.)

IV. NON-CONSENT ITEMS

- A. For discussion purposes as submitted by Santos H. Kreimann, Chief Executive Officer and Steven P. Rice, Chief Counsel, regarding the Review of Mosaic Education Policy Recommendations, and Recommendation of Revised Education Policy to the Board of Retirement and Board of Investments.
(Memo dated November 11, 2020)

- B. For discussion purposes as submitted by Santos H. Kreimann, Chief Executive Officer and Ted Granger, Interim Chief Financial Officer, regarding the Review of Mosaic Travel Policy Recommendations, and Recommendation of Revised Travel Policy to the Board of Retirement and Board of Investments. (Memo dated November 6, 2020)

- C. Recommendation as submitted by Kimberly D. Hines, Administrative Services Division Manager and JJ Popowich, Assistant Executive Officer: That the Committee review and recommend to the Board of Retirement and Board of Investments the FY 2020-21 Mid-Year Budget Amendments for the LACERA Administrative and Retiree Health Care Benefits Program Budgets. (Memo dated November 10, 2020)

V. ITEMS FOR STAFF REVIEW

VI. GOOD OF THE ORDER

VII. EXECUTIVE SESSION

- A. Conference with Legal Counsel – Anticipated Litigation
Significant Exposure to Litigation (Pursuant to Paragraph (2) of
Subdivision (d) of California Government Code Section 54956.9)

Number of Cases: 2

VIII. ADJOURNMENT

**The Board of Retirement and Board of Investments have each adopted a policy permitting any member of the Board to attend a standing committee meeting open to the public. In the event five (5) or more members of the Board of Retirement or the Board of Investments (including members appointed to the Committee) are in attendance, the meeting shall constitute a joint meeting of the Committee and the Board or Boards for which a quorum is present. Members of the Board of Retirement and Board of Investments who are not members of the Committee may attend and participate in a meeting of the Committee but may not vote on any matter discussed at the meeting. The only action the Committee may take at the meeting is approval of a recommendation to take further action at subsequent meetings of the Board of Retirement and Board of Investments.*

Documents subject to public disclosure that relate to an agenda item for an open session of the Committee that are distributed to members of the Committee less than 72 hours prior to the meeting will be available for public inspection at the time they are distributed to a majority of the Committee 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.

***Requests for reasonable modification or accommodation of the telephone public access and Public Comments procedures stated in this agenda from individuals with disabilities, consistent with the Americans with Disabilities Act of 1990, may call the Board Offices at (626) 564-6000, Ext. 4401/4402 from 8:30 a.m. to 5:00 p.m. Monday through Friday or email PublicComment@lacera.com, but no later than 48 hours prior to the time the meeting is to commence.*

MINUTES OF A SPECIAL MEETING OF THE JOINT ORGANIZATIONAL
GOVERNANCE COMMITTEE AND BOARD OF RETIREMENT
AND BOARD OF INVESTMENTS*

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

2:00 P.M. TUESDAY, OCTOBER 27, 2020

This meeting was conducted by the Board of Retirement and Board of Investments
by teleconference under the Governor's Executive Order No. N-29-20.

PRESENT: Thomas Walsh, Chair

Keith Knox, Vice Chair

Vivian Gray

David Green

JP Harris

Shawn Kehoe

David Muir

Herman Santos

MEMBERS AT LARGE:

Alan Bernstein

Gina Sanchez

STAFF ADVISORS AND PARTICIPANTS

Santos H. Kreimann, Chief Executive Officer

JJ Popowich, Assistant Chief Executive Officer

Steven P. Rice, Chief Counsel

Jon Grabel, Chief Investments Officer

I. CALL TO ORDER

The meeting was called to order by Mr. Walsh at 2:00 p.m., in the Board Room of Gateway Plaza.

II. APPROVAL OF MINUTES

A. Approval of the Minutes of the Joint Organizational Governance Committee of April 29, 2020

Mr. XXXX made a motion, Mr. XXXX seconded, to approve the minutes of the Organizational Governance Committee of April 29, 2020. The motion passed (roll call) with Messrs. Walsh, Kehoe, Santos, Harris, Green, Muir, Knox and Ms. Gray voting yes.

III. PUBLIC COMMENT

There were no requests from the public to speak.

October 27, 2020

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IV. REPORTS

- A. For discussion purposes as submitted by Santos H. Kreimann, Chief Executive Officer and Steven P. Rice, Chief Counsel, regarding the Review of Mosaic Education Policy Recommendations. (Memo dated October 20, 2020)

Mr. Rice and Mr. Kreimann provided a presentation and answered questions from the Board.

- B. For discussion purposes as submitted by Steven P. Rice, Chief Counsel, regarding Live Broadcasting and Online Archiving of Board and Committee Meetings. (Memo dated October 21, 2020)

Mr. Rice and Mr. Kreimann provided a presentation and answered questions from the Board.

V. ITEMS FOR STAFF REVIEW

VI. GOOD OF THE ORDER

VII. ADJOURNMENT

There being no further business to come before the Committee, the meeting was adjourned at 4:30 p.m.

November 11, 2020

TO: Each Trustee,
Joint Organizational Governance Committee

FROM: Santos H. Kreimann ^{SHK}
Chief Executive Officer

Steven P. Rice ^{SPR}
Chief Counsel

FOR: November 17, 2020 Joint Organizational Governance Committee Meeting

SUBJECT: Proposed Revised Education Policy

RECOMMENDATION

That the Joint Organizational Governance Committee (JOGC) discuss and provide input on the proposed revised Education Policy based on the policy review recommendations in the Mosaic Report and take action to recommend the proposed revised policy for approval by the Board of Retirement and Board of Investments.

LEGAL AUTHORITY

The Boards have plenary authority and fiduciary responsibility for the administration of LACERA. Cal. Const. art. XVI, § 17. Under Section 7.3 of the Joint Organizational Governance Committee Charter, the JOGC has responsibility to “Oversee and make recommendations with respect to” the Education and Travel Policy. Therefore, it is appropriate that the JOGC consider the proposed revised Education Policy and determine whether to recommend it to the full Boards for approval.

BACKGROUND

At the September 30, 2020 joint meeting of the Board of Retirement and Board of Investments, the Boards voted to refer the Mosaic Governance Advisors, LLC Review of Education and Travel Policy, Expenses, and Practices Summary Report to the JOGC for further consideration. At the October 27, 2020 JOGC meeting, staff presented the education-related recommendations of the Mosaic Report as well as the June 2019 Internal Audit report for the committee's consideration. Trustees provided comments and input to staff. Staff has now prepared a proposed revised Education Policy (Attachment A) based on the Mosaic Report and the JOGC's discussion.

To facilitate the JOGC's review of the proposed policy, the following documents are also attached:

1. Revised Education Policy Presentation (Attachment B);
2. Review of Mosaic Education Policy Recommendations, as presented at the October 27, 2020 JOGC meeting (Attachment C);
3. Mosaic Report (Attachment D);
4. June 20, 2019 Internal Audit Division Report on Board and Staff Education & Travel Audit (Attachment E); and
5. Current Education and Travel Policy (Attachment F).

DISCUSSION

The proposed policy was prepared to be consistent with both the recommendations of the Mosaic Report and the comments and input provided by the Trustees at the October 27, 2020 JOGC meeting. The policy is restated, as opposed to simply a revised version of the current policy, and therefore a redline is not available. The proposed policy includes the following sections:

Section I – Purpose. The purpose of the proposed policy is to further the Trustees' fiduciary duty to obtain education relevant to the performance of their responsibilities. The policy also recognizes that the reasonable need and cost for all education obtained must be capable of understanding by members and other stakeholders.

Section II – Principles. The proposed policy states the seven principles that support and guide the policy. The policy will be interpreted, and Trustee education will be obtained, consistent with these principles. The principles are:

- A. Performance of fiduciary duty, including the duty of loyalty and the duty of prudence, in obtaining reasonable education at a reasonable cost;
- B. Further a common foundation of knowledge, or Trustee Competencies, relevant to the Boards' work based on defined Trustee Competencies;
- C. Opportunities for enrichment, so that Trustees have flexibility to obtain education in relevant areas of interest;
- D. Sharing of information, in recognition that education is a group experience among Trustees, as well as an individual effort;
- E. Leverage LACERA resources, including staff, consultants, and outside experts, to provided in-house education in the boardroom;
- F. Annual review of education and needs by each Trustee on an individual basis so that each Trustee maximizes their own education; and
- G. Transparency and monitoring so that information is available to the Boards in overseeing the program and to members and other stakeholders.

These principles are more fully developed and explained in the policy.

Section III – New Trustee Orientation and Support. The proposed policy describes a comprehensive orientation program that new Trustees should attend before their first meeting. The policy describes the subjects to be covered during orientation, the orientation materials that will be provided to new Trustees, and the availability of mentoring. The proposed policy also recognizes that the orientation for returning Trustees will be tailored to their individual needs.

Section IV – Ongoing Trustee Education. The proposed policy complies with the requirement of Government Code Section 31522.8 in CERL that the Boards “shall adopt a policy for providing education to board members.” Section 31522.8 requires that the policy (1) identify appropriate topics for Trustee education, (2) establish a means for determining what courses qualify as board member education, (3) provide for at least 24 hours of Trustee education every two years, and (4) require that a public record be maintained of Trustee compliance with the policy, which must be posted on lacera.com. Each of these elements is addressed in Section IV.

The proposed policy establishes appropriate educational subject matters stated in a list of Trustee Competencies attached to the policy as Appendix A. The policy also permits education in other subjects relevant to the Trustees’ fiduciary responsibilities. The policy encourages committee members to spend a portion of their education on the subject matter of their committees.

The policy recognizes methods of education, including in-house education, in-person external conferences, virtual education, and periodicals. The Chief Executive Officer will annually present for Board approval a list of in-house education and a list of external conferences, although the policy includes as Appendix B a list of pre-approved conferences that follows the list attached to the current policy. The proposed policy includes the limitations on the number of external conferences, excluding California conferences, that is contained in the current policy. Rules of priority are established which are like those in the current policy, except that new Trustees are placed at the top of the priority list rather than at the bottom because they are most in need of education. Trustees are free to determine their education in compliance with the principles in the proposed policy (and the requirements of the Travel Policy), except that, as in the current policy, all international conferences must be approved by the relevant Board. There is no other approval process. Trustees are encouraged to complete evaluations for all external and virtual education, using a form attached to the policy as Appendix C, and also to share knowledge from education during a new Report on Trustee Education agenda item at regular Board meetings.

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Re: Proposed Revised Education Policy

November 11, 2020

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Trustees are encouraged to annually assess their educational status and needs at the beginning of each calendar year as a personal tool. A suggested plan format is attached to the policy as Appendix D.

Section IV also requires all education to be reported to the Chief Executive Officer, who will provide the Boards with quarterly reports, which will be posted on lacera.com. In compliance with CERL, annual reports on compliance with the 24-hour requirement will also be posted on lacera.com.

Section V – Administrative Meetings. The proposed policy provides that, if a Trustee plans to attend administrative meetings, such as legislative advocacy, speaking engagements, or positions in pension organizations such as SACRS, the relevant Board will be informed and provided approval on such terms as deemed appropriate.

Section VI – Brown Act Compliance. More than four Board members may attend external education or Administrative Meetings, provided they do not discuss LACERA business.

Section VII – Gifts and Conflicts. The proposed policy continues the current policy that LACERA does not accept gifts of education or related expenses. The policy also addresses other relevant conflict issues, including compliance with the Code of Ethical Conduct.

Section VIII – Travel Policy and Procedures. The proposed policy provides that all education must follow the Boards' separate Travel Policy and Procedures.

Section IX – Other Charters and Policies. The proposed policy recognizes education-related provisions in the Board Charters and other policies to avoid any conflict and bring these governance documents into harmony.

Section X – Review. The proposed policy provides for review every three years, rather than annually as under the current policy.

CONCLUSION

Staff recommends that the JOGC discuss the proposed Education Policy, provide comments and input, and recommend the policy for approval by the Board of Retirement and Board of Investments.

Attachments

c: Jonathan Grabel
JJ Popowich

Ted Granger
Richard Bendall

Attachment A
Proposed Revised Education Policy

TRUSTEE EDUCATION POLICY

I. PURPOSE

The purpose of this policy is to align the elements of LACERA's Trustee education program with the Mission, Vision, Values, and work culture of the organization. More specifically, the program is intended to assist all Trustees to obtain knowledge and receive relevant information that will enhance their understanding of the issues facing LACERA and equip the Trustees to discharge their fiduciary duties for the sole benefit of active members, retirees, and their beneficiaries. The program will be administered in a manner that can be overseen by the Board of Retirement and Board of Investments and understood by LACERA's members and other stakeholders as reasonable and cost-effective in fulfilling LACERA's Mission to produce, protect, and provide the promised benefits. This policy applies to LACERA Trustees only.

II. PRINCIPLES

The following principles shall govern what, why, when, where, and how Trustee education is obtained and the interpretation of this policy.

- A. *Performance of Fiduciary Duty.*** Education is necessary and should be encouraged and undertaken in order that Trustees may obtain knowledge relevant to the proper performance of their fiduciary duty under the California Constitution, the County Employees Retirement Law of 1937 (CERL), and other applicable laws by a reasonable method and at reasonable cost for the value received. Specifically:
1. ***Duty of Loyalty.*** Education must assist the Trustees to perform their fiduciary duty of loyalty to act solely in the interest of providing benefits to members and their beneficiaries, minimizing employer contributions, and defraying reasonable expenses of administering the system, with the duty to members and their beneficiaries being paramount.
 2. ***Duty of Prudence.*** Education must assist the Trustees to perform their fiduciary duty to act with the care, skill, prudence, and diligence that a prudent person acting in a like capacity would use in the conduct of a public pension system.
- B. *Further a Common Foundation of Knowledge.*** A foundation of common knowledge, or Trustee Competencies, relevant to LACERA and its Mission is necessary among all Trustees to fulfill their fiduciary duty.
- C. *Opportunities for Enrichment.*** The fiduciary value of education includes alternatives and choices for individual Trustees to pursue enrichment in areas of interest and specialization related to LACERA and its Mission, and to stay abreast of current developments.
- D. *Sharing of Information.*** Because education is a group effort as well as an individual endeavor, Trustees are encouraged to share information and perspectives concerning the education they separately pursue with fellow Trustees. For this reason, education should also include the flexibility and

opportunities for Trustees to network with and obtain relevant knowledge from others in the public pension community.

- E. *Leverage LACERA Resources.*** A concerted effort should be made to present educational presentations in the boardroom to take advantage of the expertise of LACERA staff, LACERA consultants, and other outside experts to create a shared educational environment for all Trustees to interact, question, and receive common benefit.
- F. *Annual Review of Education and Needs.*** The fiduciary value of Trustee education is enhanced by each Trustee, on an individual basis, reviewing their past education each year and planning in advance when possible for how to meet their educational goals in the coming year. An annual review process recognizes that Trustees and their individual educational needs evolve over time, and no single method of educating Trustees is optimal. Instead, the ability of Trustees to develop flexible education plans for themselves and to employ a variety of methods is necessary and appropriate and will assist staff to source and provide appropriate choices and opportunities that meet Trustee needs.
- G. *Transparency and Monitoring.*** Trustee education and its fiduciary value and cost should be transparent to LACERA's members and other stakeholders. The Boards should be provided with information on a periodic and consistent basis to enable effective oversight of the Trustee education program.

III. NEW TRUSTEE ORIENTATION AND SUPPORT

- A. *Attendance.*** Each new Trustee and alternate, including the Treasurer and Tax Collector's Chief Deputy, shall attend an orientation session.
- B. *Timing for Orientation.*** Orientation should occur before a new Trustee attends their first Board meeting.
- C. *Development and Content.*** The orientation sessions will be developed and overseen by the Chief Executive Officer and will, at a minimum, include the following topics:
1. Overview and importance of LACERA's Mission, Vision, and Values.
 2. The California Constitution (Proposition 162), CERL, and the other primary laws, with an emphasis on the fiduciary duty of Trustees.
 3. LACERA's status as an independent public agency under the law, including the role of the plan sponsors.
 4. The regulations, charters, policies, procedures, and rules governing LACERA and its Boards.
 5. Transparency, including the Ralph M. Brown Act regarding open meetings, Robert's Rules of Order, and the Public Records Act.
 6. LACERA's benefit structure and processes, including membership, service retirement, and disability retirement, including the relationship with the County-offered 457(b) and 401(k) plans.

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7. Pension funding and processes, including actuarial valuations and experience studies, employer and employee contributions, investment earnings, and the Boards' funding policy.
8. LACERA's strategic plan and strategic planning process.
9. Systems expenses, budgeting, and accounting protocols.
10. The Investment Policy Statement, strategic asset allocation, and investment processes.
11. The retiree healthcare program (including governing healthcare agreements), and the role of LACERA and the participating employers in the administration of the program.
12. Retiree healthcare program funding, including current payments and the OPEB Trust.
13. The Internal Audit function, including the independent role of the Audit Committee.
14. Principal fund consultants and their role, including consulting and reviewing actuaries, financial auditor, investment consultants, healthcare consultant, and fiduciary counsel. Meetings with the consultants will be arranged, if possible.
15. Conflicts of interest and ethics, including Form 700, Political Reform Act, and LACERA's Code of Ethical Conduct.
16. Board composition, including the committees and their purposes, and best practices for Board governance.
17. Trustee education and travel.
18. Current and emerging issues before the Board.
19. LACERA's Executive Management team, division managers, and other staff, including the organizational chart, roles and responsibilities, and communication protocols.
20. Media and public relations, including lacera.com and member and stakeholder communications.
21. Technology, including equipment and support.
22. A tour of the LACERA offices, if practicable.

D. Orientation Materials. At or before the orientation session, the following materials shall be made available to new Trustees:

1. A confidential roster of names, addresses, and contact information for the Board Trustees.
2. A confidential roster of names, addresses, and contact information for the Executive Management team.
3. Board agendas, minutes, policies and procedures, the strategic plan, applicable law, and other available resources, and how to access them.
4. Other relevant material requested by the new Trustee or deemed appropriate by the Chief Executive Officer.

E. Mentoring. Any new Trustee may request a mentor to assist them in becoming familiar with their responsibilities on the Board. If a request is made, the Board Chair(s) will designate one experienced Trustee to be a mentor to the new Trustee for a period of one year.

F. *Returning Trustees.* Trustees who have previously served non-consecutive terms on the Boards shall attend orientation to refamiliarize themselves with the content described in Section III.C and changes to the system during their absence. The content of returning Trustee orientation will be developed by the Chief Executive Officer in collaboration with each returning Trustee.

IV. ONGOING TRUSTEE EDUCATION

A. *Required Education.* CERL requires that all Trustees receive a minimum of 24 hours of Trustee education within the first two years of assuming office and for every subsequent two-year period the Trustee continues to serve on the Board. This requirement sets a minimum standard. Trustees may obtain additional education consistent with the provisions of this policy.

B. *Appropriate Subject Matter.* All education must be relevant to the duties and responsibilities of Trustees. In accordance with CERL, the Boards identify knowledge in the matters and areas set forth in the Trustee Competencies stated in Appendix A as appropriate for required education. All Trustees must seek education in and should strive to have knowledge in these areas to assist in the performance of their fiduciary duty and delivering on LACERA's Mission. In addition to these areas, Trustees may obtain education in other areas relevant to their fiduciary responsibilities. Members of Board committees are encouraged to focus a portion of their education on the subject matter of their committee.

C. *Methods of Education.* Since no one method of education is optimal, a Trustee's annual education should include various methods. In considering the various methods, Trustees should weigh the costs and benefits of each method. Trustee education may be obtained through the following:

1. In-House Education. The Chief Executive Officer will obtain annual Board approval for a program of in-house education for Trustees during regularly scheduled Board meetings, offsites, and other settings as may be permissible under the Brown Act. Such education will be provided by staff, LACERA consultants, and outside experts, except that the Chief Investment Officer will be responsible to plan and oversee investment-related education. LACERA consultants will be required in their contracts to provide Trustee education.

In addition to such other in-house education as may be provided, the Trustees shall annually receive training from fiduciary counsel in (1) fiduciary duty, (2) ethics and conflicts of interest, (3) governance, and (4) the Brown Act and Public Records Act.

2. In-Person External Conferences. Trustees may pursue in-person external education as provided in this policy, including conferences, seminars, and meetings. The Chief Executive Officer will obtain annual Board approval, maintain, and update on a current basis, a list of external educational options, organized by subject matter, appropriate for Trustees. The

conferences listed in Appendix B are pre-approved. Trustees may attend external education that meets the criteria of this policy without additional approval, subject to the Boards' Travel Policy and Procedures, provided that all international education must be approved by the applicable Board.

Every Trustee is authorized to attend up to 4 in-person external education opportunities per fiscal year (of which no more than 1 may be international), and up to 6 if the Trustee is serving simultaneously on both Boards at any time during the fiscal year (of which no more than 1 may be international). External education must have at least 5 hours of educational content per day. "International" education is all education that takes place outside the United States. Two conferences separated by no more than one day, with no additional travel, count as one conference.

Conferences located in California are not subject to the hour and number limits stated in the preceding paragraph.

The Chief Executive Officer will maintain Domestic and International Education Priority Lists for each Board for use when attendance at an event is limited. Trustees will be offered the opportunity to attend based on their place on the appropriate priority list. Trustees on each Board initially will be placed on applicable lists in order of the start date of their earliest term of continuous service on the Board (for appointed Trustees, a gap of 18 months or less will not break continuity of service). Trustees with the same priority date will be given priority in alphabetical order. A Trustee who attends an event based on their priority will be placed at the bottom of the list. New Trustees with no prior Board service or a gap of more than 18 months will be placed at the top of the list to facilitate their education.

Prior to attending an international benefits conference, a Trustee is required to attend an American Health Insurance Plans (AHIP) National Policy Forum or World Health Care Congress. Prior to attending an international investment conference, a Trustee is required to attend the State Association of County Retirement Systems (SACRS) Public Pension Investment Management Program or the University of Pennsylvania Wharton School of Business Portfolio Concepts and Management course.

3. Virtual Education. Trustees are encouraged to attend webinars and other forms of virtual education, including the conferences described in Section IV.C.2 above and Appendix B when offered virtually. If attendance is limited at a virtual event, the same priority list as described in Section IV.C.2 will be used.
4. Periodicals. Trustees are encouraged to read periodicals selected from a list of pension and investment-related periodicals maintained by the Chief Executive Officer as a valuable method of keeping current on relevant news and pension and investment trends. All subscriptions must be arranged through the Executive Office, and LACERA will bear the expense. The

Chief Executive Officer will annually review and update the periodical list with input from Trustees.

5. Evaluation. Trustees may complete and submit to the Chief Executive Officer for distribution to all Trustees, an evaluation or syllabus of all in-person external conferences and virtual education attended. A suggested sample evaluation form is attached as Appendix C. Trustees are also encouraged to share knowledge from education at Board meetings during a Report on Trustee Education agenda item or when relevant during specific agenda items.

D. Assessment and Planning. Trustees are encouraged to assess their educational status and needs against the Trustee Competencies in Appendix A at the beginning of each calendar year and to use such information as the basis for establishing the Trustee’s own self-development goals and education plan for the year. A suggested sample education plan format is attached as Appendix D.

E. Reporting and Monitoring. All Trustee education will be reported to the Chief Executive Officer. The Chief Executive Officer shall provide the Boards quarterly reports concerning the amount and type of Trustee education and post them on lacera.com. In addition, in compliance with CERL, the Chief Executive Officer will annually provide the Boards and post on lacera.com a report of each Trustee’s compliance with the education requirement described in Section IV.A of this policy.

V. ADMINISTRATIVE MEETINGS

“Administrative Meetings” are meetings attended by Trustees in their LACERA capacity and that have a non-educational purpose in furtherance of LACERA’s interests, including legislative advocacy, speaking engagements, positions in the administration of pension-related organizations, and similar events. The relevant Board will be informed of a Trustee’s need to attend Administrative Meetings and provide approval on such terms as deemed appropriate.

VI. BROWN ACT COMPLIANCE

Attendance at external education and Administrative Meetings by more than four members of a Board is not a violation of this provision, provided that the members may not discuss any item of LACERA business.

VII. GIFTS AND CONFLICTS

The Boards desire to avoid even the appearance of impropriety in connection with education, and related expenses. The Boards acknowledge that acceptance of gifts of education and related expenses, such as registration, transportation, meals, and lodging by a public agency, though permitted under certain circumstances by applicable law, can create the appearance that LACERA encourages “pay to play” and may, unwittingly, create opportunities for undue influence on Trustees. This policy therefore does not permit LACERA as an entity to accept gifts of education, and related expenses. This

policy does not prohibit certain payments for education and/or related expenses as part of the negotiated consideration under agreements with vendors, consultants, and managers, although all such payments should be reviewed in advance with the Legal Division to ensure compliance with applicable law, regulations, and reporting.

Items provided during education may constitute reportable gifts.

Trustees should be familiar with the provisions of LACERA's Code of Ethical Conduct as it may apply to certain education and interaction with and items received from the sponsors or other attendees.

VIII. TRAVEL POLICY AND PROCEDURES

This policy is subject to and will be read and interpreted in conjunction with the Boards' Travel Policy and Procedures.

IX. OTHER CHARTERS AND POLICIES

To reconcile this policy with the Board Charters and other Board policies:

A. *Sexual Harassment.* Sexual harassment training will be obtained by Trustees as provided in the Boards' Policy on Sexual Harassment Prevention Training for Board Members.

B. *Board Charters.* This policy constitutes the development policy and addresses Trustee education programs, as referenced in Section 6.1.4 of the Board of Retirement Charter and Reserve Power 5 of the Board of Investments Powers Reserved and Delegated Authorities and Powers Reserved Defined.

C. *Prior Board Educational Requirements Policies.* This policy supersedes and replaces the LACERA Board of Retirement Board Member Educational Requirements Policy and LACERA Board of Investments Board Member Educational Requirements Policy, which are of no further force or effect.

X. REVIEW

This policy shall be reviewed by the Joint Organizational Governance Committee, the Board of Retirement, and the Board of Investments every three years or as needed and may be amended by both Boards at any time.

Policy History: Restated and Approved by the Board of Retirement and Board of Investments on _____. Prior versions are superseded and of no effect as of the stated approval date.

APPENDIX A TRUSTEE COMPETENCIES

- **Governance**
 - Understanding Board function, processes, committee structure, exercise of discretion, delegation of responsibilities and oversight role.
 - Understanding the organizational structure and roles of staff and consultants, including the actuary, auditors, healthcare consultant, investment consultants, and fiduciary counsel,
 - Understanding the laws and rules governing the system.
 - Understanding the Boards' governing documents.
 - Understanding the system's independence under applicable laws.
 - Understanding best practices for public pension board governance.
 - Understanding the meaning and role of diversity, equity, and inclusion.
 - Understanding Robert's Rules of Order.

- **Fiduciary Duties and Responsibilities**
 - Understanding the duty of loyalty.
 - Understanding the duty of prudence.
 - Understanding the paramount fiduciary duty to members and beneficiaries.
 - Understanding the fiduciary duty to minimize employer contributions.
 - Understanding the fiduciary duty to defray the reasonable costs of administering the system.
 - Understanding how to delegate authority while retaining appropriate oversight.

- **Benefits Administration**
 - Service Retirement
 - Understanding the different plans available to employees and retirees.
 - Understanding how the system communicates with members.
 - Understanding the difference between the responsibility for plan design (plan sponsor) and plan administration (LACERA).
 - Understanding the administrative appeal process.
 - Disability Retirement
 - Understanding the qualifications for a disability retirement and the benefits that are provided.
 - Understanding the process that is followed in disability applications, from intake through determination of eligibility.
 - Understand the medical and legal issues that are discussed during consideration of disability matters.
 - Understanding the disability hearing and appeal process.
 - Understanding fair hearings and decision-making standards.
 - Retiree Healthcare
 - Understanding the healthcare program structure.
 - Understanding the history, agreements, and relationship with the County and other participating employers in connection with the funding and administration of the program.

- ***Ethics, Conflicts of Interest, and Disclosures***
 - Understanding the Form 700 process, and Conflict of Interest Code.
 - Understanding applicable conflict of interest laws and the duty to avoid participating in a decision that affects a Trustee’s economic interests.
 - Understanding the LACERA Code of Ethical Conduct.
 - Understanding the RFP quiet period and Trustee disclosure obligations.
- ***Open Meeting and Public Records***
 - Understanding the importance of transparency to stakeholders.
 - Understanding the notice requirement for meetings, including teleconference meetings under the Brown Act.
 - Understanding the limitations on discussing matters that have not been noticed on the agenda.
 - Understanding the circumstances under which communications outside of noticed meetings can be deemed to be a prohibited meeting under the law.
 - Understanding what may and may not be discussed during a closed session.
 - Understanding what constitutes a “public record” under the law and circumstances under which records must be disclosed or withheld.
- ***Financial Controls and Audits***
 - Understanding the role of LACERA staff, Internal Audit, the outside financial auditor, and the Audit Committee.
 - Understanding the Comprehensive Annual Financial Report (CAFR).
 - Understanding the concepts of “risk assessment” and developing internal controls to address those risks.
 - Understanding the responsibility for maintaining the security of confidential information kept by the system, including privacy rights.
 - Understanding vendor selection policy and practices.
- ***Pension Funding and Actuarial Process***
 - Understanding of how assets and liabilities of the system are calculated on an actuarial basis, and the role of actuarial consultants.
 - Understanding the difference and relationship between the actuarial value of assets and the market value of assets and the asset smoothing process.
 - Understanding how changes in actuarial assumptions have an impact on system assets and liabilities.
 - Understanding the nature of the plan sponsors’ funding obligations and the responsibility of the Board of Investments to determine the annual required contribution and employee contributions and provide oversight of the actuarial process.
 - Understanding OPEB pay-as-you-go and trust funding mechanisms for retiree healthcare, and the Board of Retirement’s oversight role.
- ***Investments***
 - Understanding the comprehensive nature of the investment process.
 - Understanding portfolio construction.
 - Understanding different asset categories and portfolio complexity.

APPENDIX B APPROVED EXTERNAL EDUCATION

The following list of approved external education is provided under Section IV.C.2 of the Trustee Education Policy as a resource to Trustees in selecting pre-approved education that will support required education, Trustee Competencies, and educational assessment and planning. Education is organized by primary subject matter, although some events may provide education in multiple areas. All conferences on this list are intended only to refer to domestic U.S. events.

Governance

National Association of Corporate Directors (NACD) conferences, seminars, and meetings

Pension Benefits and System Administration

California Association of Public Employee Retirement Systems (CALAPRS) conference, seminars, and meetings, including Principles of Pension Management Course

Government Finance Officers Association (GFOA) conferences, seminars, and meetings

Harvard Law School Labor and Worklife Program conferences, seminars, and programs

National Conference on Public Employees Retirement Systems (NCPERS) conferences, seminars, and meetings

National Institute on Retirement Security (NIRS) conferences, seminars, and meetings

Public Retirement Journal conferences, seminars, and meetings

State Association of County Retirement Systems (SACRS) conferences, seminars, and meetings

Retiree Healthcare

America's Health Insurance Plans (AHIP) conferences, seminars, and meetings, including Annual Institute, Annual Medicare Conference, and Annual National Policy Forum

California Retired County Employees Association (CRCEA) semi-annual conferences

Federal and state legislative hearings on pension and retirement health care issues

International Foundation of Employee Benefit Plans (IFEBC) conferences, seminars, and meetings, including Annual Employee Benefits Conference, Annual Benefits Conference for Public Employees, Annual Health Care Cost Management Conference, Annual Investments Institute, and Annual Washington Legislative Update Conference

Investments

Council of Institutional Investors (CII) conferences and meetings

Harvard Kennedy School, Trustee Leadership Forum for Retirement Security and Initiative for Responsible Investment

Harvard Law School Forum on Corporate Governance

Information Management Network (IMN) Beneficial Owners' International Securities Lending Summit Annual Conference

International Corporate Governance Network (ICGN) conferences, seminars, meetings

Institutional Limited Partners Association (ILPA) conferences, seminars, and meetings

Milken Institute conferences, seminars, and meetings

National Association of Securities Professionals (NASP) conferences, seminars, and meetings, including Annual Pension and Financial Services Conference

Pacific Pension & Investment Institute (PPI) conferences, seminars, and meetings

Pension Real Estate Association (PREA) annual spring and fall conferences and institute

United Nations Principals of Responsible Investing (UNPRI) conferences, seminars, and meetings

University of Pennsylvania Wharton School's Pension Fund and Investment Management and the Portfolio Concepts and Management courses

**APPENDIX C
SUGGESTED SAMPLE CONFERENCE EVALUATION FORM**

Under Section IV.C.5 of the Trustee Education Policy, Trustees are encouraged to complete an evaluation form or provide a syllabus for all in-person external conferences and virtual education attended.

TRUSTEE NAME:

CONFERENCE NAME:

CONFERENCE DATE:

RANKING 1-10:

1 (lowest) 2 3 4 5 6 7 8 9 10 (highest)

DO YOU RECOMMEND THE COURSE TO OTHER TRUSTEES? Yes No

WHY?

DESCRIPTION OF SUBJECT MATTER (attach syllabus if available):

HIGHLIGHTS:

WEAKNESSES:

Return to:

Board Offices

BoardOffices@lacera.com

**APPENDIX D
SUGGESTED TRUSTEE EDUCATION PLAN**

Under Section IV.D of the policy, Trustees are encouraged to assess their personal educational status and needs as against the Trustee Competencies in Appendix A at the beginning of each calendar year and to use such information as the basis for establishing the Trustee's own self-development goals and education for the year.

TRUSTEE NAME:

PLAN FOR YEAR: 20____

HAVE I COMPLETED MY 24 HOURS OF CERL-REQUIRED EDUCATION EVERY TWO YEARS? Yes No

FIVE AREAS WHERE I WOULD LIKE TO GET ADDITIONAL EDUCATION THIS YEAR TO HELP IN THE PERFORMANCE OF FIDUCIARY DUTY:

- 1.
- 2.
- 3.
- 4.
- 5.

SUGGESTIONS FOR INTERNAL EDUCATION I WOULD LIKE TO SEE THIS YEAR (you may email them to the CEO, skreimann@lacara.com):

IDEAS FOR EXTERNAL EDUCATION I WOULD LIKE TO PURSUE THIS YEAR:

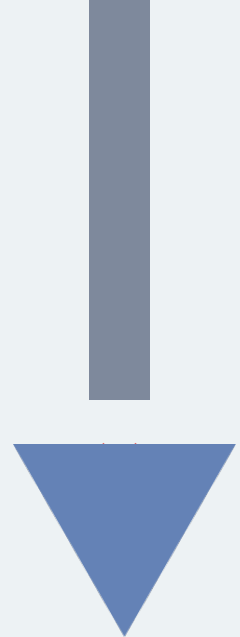
ARE THERE ANY ADDITIONAL EDUCATIONAL RESOURCES I NEED FROM THE EXECUTIVE OFFICE THIS YEAR (you may email them to the CEO, skreimann@lacara.com):

Attachment B
Revised Education Policy Presentation

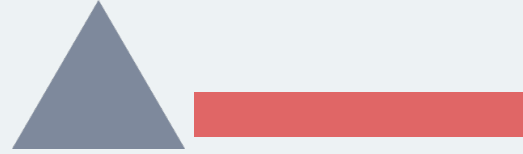


Revised Education Policy

Joint Organizational Governance Committee Meeting
November 17, 2020



Meeting Plan



This meeting will review the proposed revised Education Policy prepared following the discussion at the October 27, 2020 JOGC meeting concerning the education-related recommendations of the Mosaic Report.

Staff considered both the JOGC's input and the Mosaic recommendations.

The proposed policy is a principles-based policy that recognizes the fiduciary duty to obtain education and the need for Trustee flexibility, while at the same time including a focus on the members we serve and the other stakeholders who must be able to understand the Boards' choices.

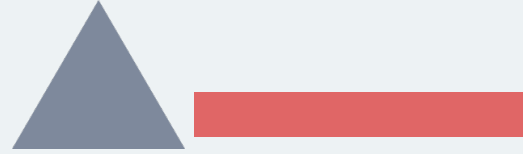
The review will proceed section-by-section.

Section I – Purpose



The purpose of this policy is to align the elements of LACERA’s Trustee education program with the Mission, Vision, Values, and work culture of the organization. More specifically, the program is intended to assist all Trustees to obtain knowledge and receive relevant information that will enhance their understanding of the issues facing LACERA and equip the Trustees to discharge their fiduciary duties for the sole benefit of active members, retirees, and their beneficiaries. The program will be administered in a manner that can be overseen by the Board of Retirement and Board of Investments and understood by LACERA’s members and other stakeholders as reasonable and cost-effective in fulfilling LACERA’s Mission to produce, protect, and provide the promised benefits. This policy applies to LACERA Trustees only.

Section II– Principles



The following principles shall govern what, why, when, where, and how Trustee education is obtained and the interpretation of the policy:

- A. Performance of Fiduciary Duty.
- B. Further a Common Foundation of Knowledge.
- C. Opportunities for Enrichment.
- D. Sharing of Information.
- E. Leverage LACERA Resources.
- F. Annual Trustee Review of Education and Needs.
- G. Transparency and Monitoring.

Section III– New Trustee Orientation and Support



- A. Attendance.
- B. Timing for Orientation.
- C. Development and Content.
- D. Orientation Materials.
- E. Mentoring.
- F. Returning Trustees.

The goal is to provide guidelines for a comprehensive new Trustee orientation program that has been lacking in the past.

Section IV – Ongoing Trustee Education

A. Required Education.

B. Appropriate Subject Matter.

Appendix A – Trustee Competencies

- » Governance
- » Fiduciary Duties and Responsibilities
- » Benefits Administration – Service, Disability, and Retiree Healthcare
- » Ethics, Conflicts of Interest, and Disclosures
- » Open Meeting and Public Records
- » Financial Controls and Audits
- » Pension Funding and Actuarial Process
- » Investments

C. Methods of Education. No one method of education is optimal. A Trustee’s annual education should include various methods. In considering the methods, Trustees should weigh the costs and benefits of each method.

1. In-House Education
 2. In-Person External Education
 3. Virtual Education
 4. Periodicals
- Evaluations encouraged (Appendix C)

CEO will prepare annual plans for Board approval for in-house and external education.
(Appendix B – pre-approved external programs)

D. Assessment and Planning (Appendix D).

E. Reporting and Monitoring.

Other Provisions



Section V – Administrative Meetings.

They will be handled by the Boards on a case-by-case basis.

Section VI – Brown Act.

Section VII – Gifts and Conflicts.

Section VIII – Travel Policy and Procedures.

Section IX – Other Charters and Policies.

Identifies and reconciles education provisions in the Board Charters and other policies.

Section X – Review.

Three-year review cycle, rather than the current annual cycle.

A photograph of a diverse group of business professionals in a huddle, with their hands stacked in the center. The background is a modern building with large glass windows. The image is overlaid with a grey circle in the top-left, a red bar and blue triangle in the bottom-left, and a vertical column of red dots on the right side.

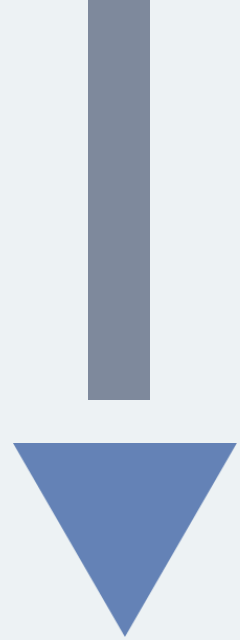
Questions?

Attachment C
Review of Mosaic Education Policy
Recommendations

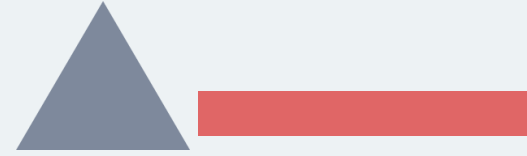


Review of Mosaic Education Policy Recommendations

Joint Organizational Governance Committee Meeting
October 27, 2020



Meeting Plan to Address Mosaic Report Recommendations



Review all 49 recommendations in Mosaic Report:

- Education Policy issues (25) – direction provided by the JOGC today.
- Travel Policy issues (24) – presented at the November 17th JOGC meeting.

JOGC comments will be incorporated into a revised Education Policy:

- Draft Education Policy presented at the November 17th JOGC meeting.
- Discussed for adoption at a joint Board meeting on December 16th.

These meetings will also address the recommendations in the June 2019 Internal Audit report and the November 2019 County audit report, most of which are travel-related. One Internal Audit education recommendation will be discussed today.

Mosaic Conclusion & Challenge

“LACERA has not adopted recognized best practices in the governance of education programs, such as new Trustee orientation, having a curriculum and competencies, and annual education self-assessments.”



Goal of This Review

To bring LACERA's Education Policy into greater alignment with best practices and meet the recommendations of the Mosaic and Internal Audit reports without compromising the ability to support the Trustees' unique needs in the performance of their fiduciary duty.



Principles-Based Education Policy



Mosaic Recommendation

2.1* - Create a standalone principles-based Board education policy. The Education Policy should be separate from the Travel Policy.

* Numbers throughout this presentation follow the recommendation numbers in the Mosaic report.



Management Response

2.1 - Management agrees. A policy based on principles will identify the beliefs that support the need for education, align with fiduciary duty, express the goals to be achieved through education, and state the framework within which education is sought, provided, and reported.



Current Policy

2.1 - The current policy is rules-based. It is highly prescriptive. It includes a Statement of Purpose, but it does not contain beliefs or an overall framework for Trustee education.

Separate Board & Staff Education Policies



Mosaic Recommendation

2.2 - Remove staff policy provisions from the Boards' Policy and create a separate policy applicable to staff, under the direction and enforcement of the CEO.



Management Response

2.2 - Management agrees that staff education is an administrative matter for the CEO, and the CIO for investment staff. Staff education should be addressed separately from the Board Policy.



Current Policy

2.2 - The current policy gives control of staff education to the CEO and CIO, but it still addresses various aspects of staff education and travel at length.

Policy Structure



Mosaic Recommendation

2.3 – Revise Policy to include these elements:

- Statement of Purpose
- Definition of Covered Persons
- Principles
- Education Requirements
- Qualifying Education
- New Trustee Onboarding
- Continuing Education Limitations
- Mentoring
- Monitoring and Reporting
- Approval Process
- Trustee Responsibilities in Development of Education
- Coordination with Other Policies
- Policy Review Cycle



Management Response

2.3 - Management agrees that Mosaic's recommendation provides a sound and comprehensive overall structure for Trustee education, while allowing Trustees to pursue individual areas of interest. The policy needs to be restated and enhanced to comply with the Mosaic recommendation.



Current Policy

2.3 - Current policy partially addresses only some of the proposed elements.

Education Subject Matters



Mosaic Recommendation

2.4 - Establish a curriculum that defines education requirements, including core competencies, specific to the Trustees and current/future strategy.

3.9 - Align education opportunities with the competencies needed to carry out the full span of governance and LACERA's strategic plan.



Management Response

2.4/3.9 - Management agrees. California law requires Trustee education in ten areas. (Gov't Code § 31522.8.) LACERA does not currently track subject compliance. These areas are the foundation for other education, which can occur simultaneously based on Trustee interests.



Current Policy

2.4/3.9 - Current policy does not address this issue. LACERA currently has a separate policy that states the statutory requirement, but it is not integrated with the Education Policy. The separate current policies should be joined in a single policy document.

Planning & Assessment



Mosaic Recommendation

2.5/2.12 - Require planning practices, such as the use of individual development plans and annual Trustee educational self-assessment, to create better alignment and cost-effectiveness.

3.3 - Develop a skills matrix for use in Board and Trustee education and development.



Management Response

2.5/2.12/3.3 - Management supports this recommendation as a tool to enhance each Trustee's educational experiences and cohesiveness over time. Assessment is not a test; it refers to an annual personal self-evaluation to identify additional education desired by the Trustee.



Current Policy

2.5/2.12/3.3 - The current policy does not require planning or self-assessment; there are no documented plans or assessments.

Approval Process



Mosaic Recommendation

2.6 - Enhance the approval process, including the quality of the data provided to inform the Boards' decisions, and the continued effectiveness of the consent agenda.



Management Response

2.6 - Management supports CEO approval of Trustee education, subject to the standards in the new policy, including enhanced Board reports and metrics. Trustees can take an educational opportunity to their Board if there is a dispute.



Current Policy

2.6 - The current policy includes pre-approval of certain education, with Board approval required for other education, including international conferences. The Mosaic recommendation and management approach will reduce the administrative burden on the Boards.

Pre-Approved and Available Conferences



Mosaic Recommendation

2.7 - Evaluate the pre-approved and monthly up-to-date conferences list and be more selective in the use of those sponsored by for-profit entities.



Management Response

2.7 - Management proposes that the CEO will maintain and update the pre-approved conferences list. The CEO will also maintain a current list of other available conferences, organized by subject matter.



Current Policy

2.7 - The current policy includes the pre-approved list, requiring that the full policy be revised by joint Board action to make changes. Available courses are monitored informally.

Boardroom Education



Mosaic Recommendation

2.8 - Establish appropriate target for in-house and externally provided education.

2.9 - Require in each Board consultant's contractual scope of work a requirement to provide Board education and implement a process to utilize and enforce this requirement.



Management Response

2.8/2.9 - Management supports an increased focus on providing quality education for Trustees in the boardroom from staff, consultants, and other external providers, including MCLE credit. LACERA is renewing its MCLE certification to provide credit for in house education.



Current Policy

2.8/2.9 - The current policy does not address this issue.

New Trustee Orientation



Mosaic Recommendation

2.10 - Refresh, formalize, and stabilize the delivery of a new Trustee orientation; develop a broader Trustee onboarding program in collaboration with staff.

3.11 - Ensure the onboarding experience for any new Trustee is appropriately aligned to the full set of Board responsibilities and strategic plan.



Management Response

2.10/3.11 - Management intends to implement a new Trustee orientation program with this year's incoming Trustees, which will provide a baseline upon which to continue to develop enhanced orientation. Management agrees that this requirement should be included in the Education Policy.



Current Policy

2.10/3.11 - The current policy provides external course prerequisites for certain types of travel. The current policy does not address internal Trustee orientation.

Post-Conference Evaluations



Mosaic Recommendation

2.11 - Adopt post-conference evaluation practices, including a requirement for post-conference evaluations, uploading the completed evaluations to the Boards' online portal, and sharing conference materials received with the Boards and the CEO.



Management Response

2.11 - Management supports this recommendation to enhance the Trustees' educational experience and share knowledge, both about course content and the quality of different providers. Management will also solicit feedback from new Trustees on the orientation program.



Current Policy

2.11 - The current policy encourages course reports, but they are not required. In practice, few reports are made.

Board Education Reports & Metrics



Mosaic Recommendation

3.2 - Modify the reports provided to the Boards and the public to set better context about LACERA's board size and legal education requirements.



Management Response

3.2 - Management agrees that quarterly Board reports should provide more meaningful insight into Trustee education, with metrics and other information (separate from travel expense), to assist the Boards in their oversight of education in compliance with subject matter requirements.



Current Policy

3.2 - The current policy requires a monthly report of conferences and meetings attended, which is of limited value as a monitoring tool.

Policy Review Cycle



Mosaic Recommendation

1.7 - Adopt a triennial review cycle for the Education and Travel Policy.



Management Response

1.7 - Management agrees that a triennial review cycle is appropriate. The frequent policy reviews and changes in the past have led to complexity and confusion in enforcement and consumed a significant amount of joint Board time.



Current Policy

1.7 - The current policy provides for review annually or as needed.

Internal Audit (IA) Report Education-Related Recommendations



IA Recommendations

10.a - Review Clapman Report's policy template.

10.b - Consider an organization-wide educational strategy, incorporating a Trustee self-assessment.

10.c - Consider working with LACERA's Training Coordinator to develop education plans, monitor needs, and maintain and evaluate conference list.



Management Response

10.a - The Mosaic report includes the Clapman recommendations, which management supports.

10.b - Management supports an organizational education strategy and Trustee self-assessment.

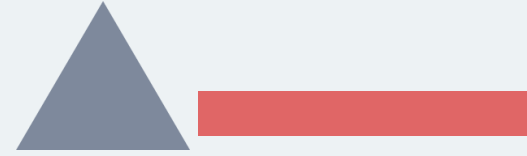
10.c - Management will evaluate the best method of staff support for Trustee education.



Current Policy

10.a, b, c - The current policy does not address these recommendations.

Mosaic Governance Recommendations in the Context of Education and Travel (1 of 3)



Mosaic noted the connection of Board governance with education and travel. Mosaic's report include recommendations in this area. Insofar as they may affect the drafting of the new Education Policy or other staff efforts, staff requests the JOGC's comments and direction:

Span of Governance

- 3.4 Evaluate LACERA's Committee responsibilities to ensure the full span of governance is appropriately addressed.
- 3.5 Explore additional governance changes to make the dual-board structure more effective, efficient, and clear.
- 3.6 Develop a clear long-term understanding as to the role of the JOGC.
- 3.7 Attain a consensus view on LACERA's span of governance, the responsibilities of the Boards, and how they are fulfilled across the two Boards, the Committees, and the JOGC.

Mosaic Governance Recommendations in the Context of Education and Travel (2 of 3)



Span of Governance (cont'd)

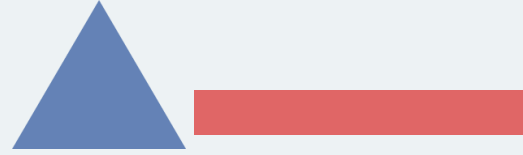
3.8 Create one future vision for the organization, its priorities, goals, and success metrics, and maintain one organizational strategic plan.

3.10 Amend election packets and documentation provided to the appointing authority to ensure that the span of governance, in light of the dual-board structure, is clearly communicated to those interested in future Board service.

Governance Decision-Making Model

3.12 Evaluate LACERA's governance decision-making model, in light of the organization's evolution, to determine where adjustments are needed to best align expertise and decision-making.

Mosaic Governance Recommendations in the Context of Education and Travel (3 of 3)



Board, Committee, and Trustee Effectiveness

- 3.13 Adopt a formal practice of Board, Committee, and individual Trustee self-evaluation, tailoring the practice to align with the Boards' comfort level.
- 3.14 Seek solutions to create an environment conducive to ongoing, comprehensive Board, Committee, and individual Trustee self-evaluations.

Next Steps

Staff will take the input revised from the JOGC today and prepare a draft Education Policy for review at the November 17th committee meeting.

A photograph of a diverse group of business professionals in a huddle, with their hands stacked in the center. The background is a modern building with large glass windows. The image is overlaid with several graphic elements: a grey circle in the top-left corner, a red horizontal bar and a blue triangle in the bottom-left corner, and a vertical column of red dots on the right side.

Questions?

Attachment D
Mosaic Report



Review of Education and Travel Policy, Expenses, and Practices Summary Report

Los Angeles County Employees Retirement Association
September 15, 2020
Mosaic Governance Advisors, LLC | Westminster, CO

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Acknowledgments

Mosaic thanks the members of the LACERA Board of Retirement, Board of Investments, management, and LACERA's Board consultants for their time and effort in answering questions and providing materials to support the scope of work. We relied heavily upon them for historical context and information. We received prompt responses to the majority of our requests and were impressed with the Boards' and management's dedication, commitment, and desire to be an industry leader and to foster an atmosphere of organizational excellence for LACERA.

Although the timing of our report issuance and presentation was impacted by the COVID-19 pandemic, our scope of work was completed in early 2020. We appreciated management's commitment and effort to complete this project.

We also wish to extend our gratitude to the executive directors, senior staffs, and Board members in other public retirement systems who agreed to be interviewed and responded to our peer survey, particularly in light of the breadth and depth of the query. We sincerely appreciate their time and willingness to share their insights.

Executive Summary

In October 2019, the Board of Retirement (“BOR”) of the Los Angeles County Employees Retirement Association (“LACERA”) retained Mosaic Governance Advisors, LLC (“Mosaic”) to review its Education and Travel Policy (“Policy”), practices, and expenses. The BOR was seeking an evaluation of Policy compliance. At the same time, it, along with the Board of Investments (“BOI”), collectively, the “Boards,” was interested in proactively evaluating LACERA’s practices in light of peers and identifying potential changes to consider in the spirit of continuous improvement. This included the broader governance elements that may be impacting education and travel.

This report (“Report”) sets forth our findings, analysis, conclusions, and recommendations.

Conclusions

LACERA is attempting to position itself as an active influencer among peers, not just within the United States but globally. Its Boards are comprised of members (“Trustees” or “Board members”) who believe they are taking their fiduciary responsibility seriously and are incurring travel expenses because they believe external education is necessary to effectively fulfill their role as fiduciaries.

Notwithstanding Trustees’ perceptions, LACERA has been criticized for the cost and lack of effective oversight of its Trustee education and travel. Both topics merit attention and are addressed within this Report. The more significant issue we found and addressed is that LACERA’s education and travel lack organizational alignment. Rather, it is being driven by the perceived needs of each individual Trustee versus being directed by a consensus view on the span of governance, the future vision for the organization, and a correlating set of Trustee competencies.

Our Report presents 49 specific recommendations across the scope of work to support our conclusions as follows in four areas:

1. Education and Travel Expenses Review

- a. We conclude that expense reporting is reasonably accurate on the whole, and the significant majority of expenses reviewed were in compliance with the provisions of the Policy.
- b. Considerable effort is being expended to ensure Policy compliance; however, the materiality threshold at which processing staff is scrutinizing travel expenditures is exceptionally conservative; more modifications are being made to staff traveler expense reports than Trustee expense reports.
- c. There are cultural issues arising from travel practices that are creating pressure points within the organization and negatively impacting morale.
- d. The reporting and monitoring provided at the Board-level are overly detailed and not useful in identifying trends to support proper oversight.

- e. The processes and infrastructure used to support education and travel are insufficient and merit attention. They lack the staffing resources, data connectivity, and technology capabilities to support an environment of strong internal controls.

2. Comparison of LACERA Policy and Practices to Peers

- a. LACERA's Policy is more prescriptive and travel-focused than that of peers; the review cycle occurs too frequently, introducing risk in awareness, implementation, and enforcement of the Policy.
- b. The Boards' use of the consent agenda is not an effective mechanism for approval of education and travel matters.
- c. LACERA has not adopted recognized best practices in the governance of education programs, such as new Trustee orientation, having a curriculum and competencies, and annual education self-assessments.
- d. The current practices around budgeting for education and travel, and monitoring actual expenses against the budget are not effective and warrant revision.

3. Governance Factors Contributing to Trustee Education and Travel Practices

- a. Broader aspects of LACERA's governance structure and practices are increasing cost, creating complexity, and producing misalignment of Trustee education with the responsibilities and competencies needed to meet organizational needs.

4. A Path Forward

- a. Opportunities exist to improve broader governance practices, which will, in turn, result in better alignment of education and travel practices.
- b. Taking a holistic approach such as that depicted within this Report couches Board and staff education and travel within a cohesive framework of Board direction and checks and balances.

We encourage the Boards and staff to review our recommendations together with the context and observations presented in this Report and determine whether to accept (in whole or part) or reject each recommendation.

Recommendations

A complete list of the Report recommendations appears on the following pages for the Boards and staff to collaboratively address. For each recommendation, we suggest that the Boards determine whether to disagree or agree with the recommendation in whole or in part, and for those where there is an agreement, the priority to place on implementation.

Number	Recommendation
Education and Travel Expenses Review	
1.1	Address the cultural issues arising from travel practices that are impacting morale through the Boards and staff working collaboratively on implementing the recommendations in this Report.
1.2	Implement annual traveler attestation in respect of compliance with LACERA's Travel Policy and Conflict of Interest Policy/Guidelines, as well as with Section II. General Ethical Standards, in the Code of Ethical Conduct.
1.3	Hire temporary contract staff in Accounting to establish proper internal controls and mitigate operational risk related to processing accounting transactions for travel occurrences until a permanent alternative solution can be found or sufficient permanent staff can be hired.
1.4	Approve funds for a comprehensive evaluation of all of LACERA's systems that support education and travel activities to establish proper data continuity, provide efficiency in record-keeping and reporting, and strengthen internal controls.
1.5	Adopt a principles-based Policy which is approved by the Board. Maintain underlying procedures that are approved, maintained by, and enforced for Trustees and staff under the delegation of the CEO.
1.6	Research the use of travel agencies for making all travel arrangements to eliminate possible interpretive and procedural errors by travelers.
1.7	Adopt a triennial review cycle for the Education and Travel Policy.
1.8	Upon Policy amendment, compel training for all individuals that are subject to or interact with the Policy.
1.9	Require that the CEO's expense reports be approved by the BOR Chair.
1.10	Direct Trustee questions of Policy interpretation to the CEO.
1.11	Conduct an analysis of whether actual meal and incidental expenses or a per diem method would be most appropriate and adopt one of these methods as a procedure for processing meal and incidental expenses.
1.12	Adopt procedures that minimize the time spent on the issue of reimbursing travelers for meals paid for and consumed when meals are otherwise provided.
1.13	Adopt a consistent approach to reimbursing expenses incurred in a foreign currency.
1.14	Require appropriate signature approval by the traveler seeking reimbursement for expense reports prepared on their behalf.

Number	Recommendation
1.15	Provide trend analytics and exception-based reports on travel expenditures in monthly and quarterly reports, as well as other analytics the Boards may deem useful, with the detail available upon request.
1.16	Ensure that there is consistency in expense documentation provided across all travelers.
1.17	Conduct periodic processing reviews to ensure that scrutiny and enforcement are equally applied across both Board and staff expenses.
Comparison of LACERA Policy and Practices to Peers	
Education Policy	
2.1	Create a standalone principles-based Board education policy. The Education Policy should be separate from the Travel Policy.
2.2	Remove staff policy provisions from the Boards' Policy and create a separate policy applicable to staff, under the direction and enforcement of the CEO.
2.3	Amend the Policy to incorporate the recommended policy elements (See pages 25-29).
Education Practices	
2.4	Establish a curriculum that defines the education and training requirements, including core competencies, specific to the needs of LACERA Trustees and the organization's current and future strategy.
2.5	Require planning practices, such as the use of individual development plans and annual trustee educational self-assessment, to create better alignment and cost-effectiveness.
2.6	Enhance the approval process, including the quality of the data provided to inform the Boards' decisions, and the continued effectiveness of the consent agenda.
2.7	Evaluate the pre-approved and monthly up-to-date conferences list and be more selective in the use of those sponsored by for-profit entities.
2.8	Establish an appropriate target for in-house and externally provided education.
2.9	Upon selection or renewal, where not already expressly stated, require in each Board consultant's contractual scope of work a requirement for providing Board and individual Trustee educational sessions and implement a process to utilize and enforce the consultant education requirement.
2.10	Refresh, formalize, and stabilize the delivery of a new Trustee orientation; develop a broader Trustee onboarding program in collaboration with staff.
2.11	Adopt post-conference evaluation practices, including a requirement for post-conference evaluations, uploading the completed evaluations to the Boards' online portal, and sharing conference materials received with the Boards and the CEO.
2.12	Engage in annual trustee education self-assessments.
Travel Policy	
2.13	Resolve the discrepancies as noted in the Policy and update accordingly (See pages 41-42).

Number	Recommendation
2.14	Develop a standalone principles-based Board travel policy that addresses the recommended elements (See pages 42-45).
2.15	Move the procedural detail, including that related to expense reimbursement, from the Policy to a travel procedures document that is maintained by the CEO.
Travel Practices	
2.16	Cease Trustee meetings with investment managers outside of opportunities presented through Board or Committee meetings; direct all manager information and communication flow through the Chief Investment Officer.
2.17	Strengthen the budget-setting and oversight process by adopting a bottom-up approach to establishing the education and travel budget.
2.18	Establish a carbon budget for travel and discuss the role that purchasing carbon offsets may have in future travel policies and practices.
Governance Factors Contributing to Trustee Education and Travel Practices	
Board Structure, Composition, and Size (in relation to Education and Travel Practices)¹	
3.1	The Boards should periodically review the costs of their education and travel to similar peers to be aware of where they stand within the community of practice, and to ensure that their costs are reasonable and prudent.
3.2	Modify the reports provided to the Boards and the public to set better context about LACERA's board size and legal education requirements.
3.3	Develop a skills matrix for use in Board and Trustee education and development.
Span of Governance (in relation to Education and Travel Practices)	
3.4	Evaluate LACERA's Committee responsibilities to ensure the full span of governance is appropriately addressed.
3.5	Explore additional governance changes to make the dual-board structure more effective, efficient, and clear.
3.6	Develop a clear long-term understanding as to the role of the JOG-C.
3.7	Attain a consensus view on LACERA's span of governance, the responsibilities of the Boards, and how they are fulfilled across the two Boards, the Committees, and the JOG-C.
3.8	Create one future vision for the organization, its priorities, goals, and success metrics, and maintain one organizational strategic plan.
3.9	Align Trustee education and training opportunities with the competencies needed to carry out the full span of governance and the LACERA strategic plan.
3.10	Amend election packets and documentation provided to the appointing authority to ensure that the span of governance, in light of the dual-board structure, is clearly communicated to those interested in future Board service.

¹ During the course of our review, we identified broader aspects of LACERA's governance structure and practices that have the potential to impact the cost associated with LACERA's Trustee education and travel practices. These governance structures and practices may also increase the complexity and/or the risk of misalignment of Trustee education with the Boards' responsibilities or the competencies needed to meet organizational needs.

Number	Recommendation
3.11	Ensure the onboarding experience for any new Trustee is appropriately aligned to the full set of Board responsibilities and strategic plan.
Governance Decision-Making Model (in relation to Education and Travel Practices)	
3.12	Evaluate LACERA's governance decision-making model, in light of the organization's evolution, to determine where adjustments are needed to best align expertise and decision-making.
Board, Committee, and Trustee Effectiveness (in relation to Education and Travel Practices)	
3.13	Adopt a formal practice of Board, Committee, and individual Trustee self-evaluation, tailoring the practice to align with the Boards' comfort level.
3.14	Seek solutions to create an environment conducive to ongoing, comprehensive Board, Committee, and individual Trustee self-evaluations.

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Background and Introduction

Mosaic is an independent governance consulting firm, located in the Denver, Colorado, metropolitan area with substantial and relevant experience in public pension finances and governance. We specialize in board and trustee education, benchmarking, strategic planning, and policy review and development. Our team has extensive experience working with public retirement systems within the United States and internationally, both as governance consultants and as former executive staff of public retirement systems. Our experience also includes working within the private sector at large financial services and investment consulting firms.

We routinely help clients with the development and review of their trustee education programs and the policies that support them. Mosaic was selected by LACERA in October 2019 through a competitive bidding process.

Scope of Work

Specifically, Mosaic was asked to perform the following scope of work in connection with the project (“Project”):

1. Review and evaluate LACERA’s current Education and Travel Policy.
2. Review and evaluate Board and staff education and travel expenses during Fiscal Years 2016, 2017, 2018, and 2019 under the pertinent Policy, and in comparison to peer systems, other organizations, and best practices.
3. Review and evaluate compliance with the current Education and Travel Policy on the part of Board and staff travelers, including consistency of compliance.
4. Review and evaluate compliance with the current Education and Travel Policy on the part of staff responsible for processing and accounting for travel expenses, including consistency of application of standards to payment approval and consistency of enforcement when there are deviations from Policy.
5. Review and evaluate the current Education and Travel Policy, expenses, compliance, processing, accounting, enforcement practices, and other aspects of the Policy and its implementation against peer systems, other organizations, and best practices.
6. Review LACERA’s broader governance structures and practices that may contribute to LACERA’s education and travel expenses.
7. Identify emerging trends in Trustee education.
8. Prepare a written report and presentation to the Board of Retirement at a public meeting with regard to the findings and recommendations from the Project.

Review Methodology

We conducted our work over five months from October 2019 to March 2020.² Our methodology consisted of the following activities:

- Reviewed pertinent documents requested and received from LACERA, including detailed expense reports and receipts for FY 15/16 – FY 18/19.
- Performed a compliance review of expenses against the policies in effect.³
- Conducted interviews with thirteen LACERA Trustees, twenty-five staff, and seven of the Boards' consultants ("Board Consultants").
- Conducted a survey of peer policies and practices in connection with public retirement system Trustee and staff travel and education.⁴
- Analyzed the results of the interviews, Policy compliance analysis, Policy and practices evaluation, and peer survey.
- Summarized our findings, observations, and recommendations in this written Report to the Boards.
- Participated in bi-monthly calls with the project team, including the Acting CEO/Chief Counsel ("Chief Counsel"), the Chief Executive Officer ("CEO") subsequent to his onboarding to LACERA, Chief Investment Officer ("CIO"), and other staff as needed, to provide status updates on the project and request additional information.
- Fact checked the Report with LACERA staff as directed by the CEO, Chief Counsel, Assistant Executive Officer ("AEO"), Chief Financial Officer ("CFO"), Chief Audit Executive, and other staff as needed, to ensure accuracy of the facts as characterized within the Report.

² The timeline to present our report was disrupted due to the circumstances created by the COVID-19 pandemic; however, the substantive work underlying the conclusions and recommendations within this report was completed by early March 2020.

³ Applicable LACERA Education and Travel Policies in effect at the time expenses were incurred were used to evaluate compliance efforts of the travelers with policy as well as those of the LACERA accounting staff processing the expense reports.

⁴ The approach to the peer survey was to identify a community of practice to gauge whether LACERA's policies and practices are reasonable. Each organization has its own unique historical context, circumstances, and characteristics that contribute to the way that it functions. Care was taken to identify domestic and international peers for LACERA that share certain comparable characteristics to LACERA, and to highlight the similarities while at the same time account for the differences.

Report Organization

The Report is organized into four sections that address the scope of work as follows:

1. Education and Travel Expenses Review (FY 15/16 – FY 18/19),
2. Comparison of LACERA Policy and Practices to Peers,
3. Governance Matters Contributing to Trustee Education and Travel Practices,
4. A Way Forward.

For each topic presented, background information is provided to set context. Our findings and observations are then presented along with the feedback gathered through the interview process, expense analysis, and peer survey results, where appropriate. We conclude each section with our recommendations.

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I. Education and Travel Expenses Review

Introduction

Policies underpin and support organizational cultural frameworks and norms. Policies can take either a principles-based form or a rules-based form.

A principles-based policy provides flexibility in the decision-making process. It sets out the values or norms which govern a certain aspect of behavior. In regulatory environments, principles-based policies are set within a “comply or explain” framework. The expectation is that those for whom the policy is intended will comply with the policy or explain the reason for their non-compliance. Regulators review disclosures, as do other stakeholders, evaluating and judging the rationale for non-compliance. For principles-based policies to work effectively, there must be a culture of trust, good judgment, and shared values in the organization, set by the highest level of leadership, typically the board.

In contrast, rules-based policies set out explicit rules against which behavior will be measured. There is limited opportunity for the use of discretion given that such policies are typically prescriptive. Rules-based policies don't require a culture of trust in order to work. In fact, careful monitoring is needed so that they do not contribute to a culture of distrust and excessive monitoring to ensure compliance with the policy. Balance is key to designing effective controls at a reasonable organizational cost. Experts have cautioned that rules-based compliance systems can “possess hidden costs that prevent maximum compliance at a level of economic efficiency.”⁵

In respect of expense reimbursement policies specifically, one goal is that it be easily understood. Such a policy, coupled with an expense submission process, should allow for proper supporting documentation and a low difference of opinion on interpretations of the policy components.

Review Methodology

Our approach to reviewing Trustee and staff expense practices included sampling expense reports during fiscal years 2015/2016, 2016/2017, 2017/2018, and 2018/2019 above certain materiality thresholds. We also sampled expense reports below our thresholds on both a random and non-random basis to increase our sample size and offset sampling bias inherent in materiality thresholds. In total, we sampled 146 expense reports against the pertinent fiscal year LACERA Education and Travel Policy, placing emphasis on those expense reports occurring in the later fiscal years of the review period. Fifty-four (54) of the expense reports were for Board travel, and 92 were for staff travel. Expense reports were selected for review in accordance with a professional sampling methodology that ensured a cross-section of Trustees and staff travelers. The methodology utilized dollar thresholds per

⁵ https://www.huffpost.com/entry/principlesbased-regulaton_b_7204110, Professor Caroline Kaeb, University of Connecticut School of Business.

travel event, multiple travelers for the same event, as well as random sampling across all travelers so as to not unduly scrutinize any one particular traveler.

We reviewed expenses against the Policy in effect at the time to determine whether expense processing was consistent with the provisions of the various versions of the Policy.⁶ We also reviewed controls such as the expense approval and reimbursement process, conducted interviews with accounting staff processing expense reports and staff providing approval, and with LACERA's internal and external auditors to develop an understanding of the above as well as consistency of enforcement in situations of deviations from the Policy.

Observations

All four of the Education and Travel Policies ("Policies") we examined during the scope period are lengthy and detailed, varying in length from 20 to 23 pages. In substance and in form, they present as rules-based policies and procedures. They have been updated and amended in accordance with a random review cycle; therefore, the Policies have varying effective dates falling in different months and on different dates within those months during the fiscal year periods. Ensuring compliance for travel or education that transitions the period from one Policy to another is hindered by the lack of a consistent approach and timing to the Policy review cycle. As such, we recommend that a triennial review cycle be adopted for the Education and Travel Policy (Recommendation 1.7).

We believe that the Policies were created with the good intention of governing good behavior in connection with education and travel. However, their high level of detail and prescriptive nature seems to be more aligned with a compliance approach to adherence within the mandated boundaries of the Policies rather than being reflective of common principles.

In this section, we present our observations in three areas as follows: Policy Compliance, Reporting and Monitoring, and Systems.

A. Policy Compliance

There was a high level of focus and a considerable amount of time spent by travelers and processing staff on ensuring compliance with each Policy. We believe that this is due to aspects of each Policy being misunderstood or inadequately supported by documentation in the expense submission process, along with the detailed and highly directive Policy

⁶ Three different Education and Travel Policies were in effect over the four fiscal years ending June 2019. Each had different effective dates and varying levels of limitations and advance approval requirements. The current Policy, effective as of August 2019, has significant modifications and control-based specificity over previous Policies. Although our review of expenses did not include those incurred after the effective date of the current Policy, we nevertheless reviewed the current Policy and offer our comments for LACERA's consideration in Section II of this Report.

structure. We found some examples where the Policy was either not consistently applied or consistently enforced, as set out on the following pages.

Level of Resources Required to Submit/Approve Expenses

Examples of considerable effort expended in ensuring compliance with Policy are as follows:

1. Over half (55%) of the sampled expense reports had some form of modification after being reviewed by Accounting staff. This was significantly higher than the 10 to 20% range of adjustments we would have expected to see based on our experience and third-party, published data.⁷

Amounts were changed or modified, with and without attached support. Some of the adjustments were for extremely insignificant amounts, such as two cents or one-tenth of a mile on the mileage reimbursement request. The majority of these adjustments appeared to be made to staff expense reports. We noted fewer adjustments to Trustee expense reports. In order to eliminate possible interpretive and procedural errors⁸ and better manage travel arrangements per the Policy, we recommend that LACERA explore the use of a travel agency (Recommendation 1.6).

2. Lengthy supporting documentation is required to support expense report submissions. Some samples we reviewed, including those of frequent travelers who appear to have perfected the Policy and documentation expectations, exceeded 70 pages.
3. Policy misinterpretations were evident in the sampled expense reports we reviewed with per diem expense claims, although the topic is addressed in significant detail in the Policies. Allowing either the reimbursement of actual expenses incurred or a per diem method, “so long as only one method is used per calendar day,” presented numerous confusing scenarios and supporting documentation occasionally

⁷ A November 2015 Global Business Travel Association survey of 533 travel managers (i.e., travel buyers or intermediaries for organizations around the globe) found that 19% of expense reports are filed incorrectly, needing adjustment. The same survey found that on average, it takes an employee approximately 20 minutes to complete a typical expense report; however, if there is any error, including missing or incorrect information, it takes almost as long – 18 minutes – to correct. Considering all resources used, it costs a company an average of \$53 USD to process one expense report for a single night stay in a hotel and an average of \$48 USD to correct the expense report if it was submitted with an error.

⁸ We also observed difficulties in Policy interpretation with respect to air travel reservations. The Policy states that all air travel will only be reimbursed at the lowest available fare at the time of purchase offered by select airlines for the dates of travel. The Policy implies a “prove it or lose it” approach. It was reported to us that additional clarification has had to be provided to demonstrate how this part of the Policy will work in practice and to avoid any discrepancies in its application by travelers. Moreover, with so many airline fares charged to the corporate credit card, it made this aspect of compliance difficult to monitor.

exceeding 15 pages. Confusion about when per diem should start and stop was also evident. The process would be made more efficient for the traveler and the processing staff if either actual expenses or a per diem method was permitted, but not both. As such, we recommend that LACERA conduct an analysis of which method would be most beneficial for it to adopt (Recommendation 1.11).

4. There was evidence of confusion in respect of meals that are pre-paid or included in conference registration fees. Numerous claims for expense reimbursement were resolved only after extensive communications involving multiple LACERA staff, with detailed justification by the traveler. While Policy implementation requires such documentation, we recommend that LACERA adopt procedures that minimize the time spent on this issue (Recommendation 1.12). One example could be to permit per diem expense reimbursement for travelers with dietary restrictions.
5. Expense report samples we reviewed included inconsistencies, without explanation, in the methods for determining foreign exchange rates along with differences in accompanying supporting documentation. Some expense reports included documentation of actual expenses converted from local currency into U.S. dollars by the credit card companies, while others used a different method as calculated by the traveler. While the differences in amounts were relatively small in nature, we recommend that LACERA adopt a consistent approach to reimbursing expenses incurred in a foreign currency, such as using actual expenses (Recommendation 1.13).

Consistency in Adherence to and Enforcement of Policy

We identified a number of areas where travelers were consistently complying with each Policy in the expense reports reviewed. These include incidental airline-related expenses, supporting documentation for additional legroom fees, baggage fees, online internet fees, and other incidental expenses. However, we also found examples of Board and staff travel occurrences where there was a lack of consistency in adherence to the Policy, enforcement of the Policy, or other questionable practices. Our observations are as follows:

1. From the Policy effective April 2016 until the most recent Policy, the sections titled Education Authorization and Conference Attendance Limitations had conflicting limitations for preapproval. Regardless of which section of the Policy had priority, during the four fiscal years we reviewed, it was clear that compliance with these provisions has caused confusion and was problematic. Although it was remedied in the most recent Policy, over the scope of our review, we noted over 100 instances with respect to these conflicting Policy provisions.
2. During the scope period, three Trustee expense reports included requests for and receipt of reimbursement for advanced payments for international airfare. All Policies are clear that such payments are not allowed unless specifically approved by the appropriate Board. If, and when, exceptions to the Policy are made by the

Board, supporting documentation should be included with the appropriate expense report. In these cases, no supporting approvals were evident.

3. During the scope period, we observed instances where education-related travel appeared to conflict with regularly scheduled Board meetings. Attendance at Board meetings should receive priority over attendance at education conferences.

Overall, we observed a strict mindset of adherence to and enforcement of the Policy on the part of staff charged with the responsibility of processing expense reports. Our understanding is that the role of Policy enforcement was fulfilled by a previous CEO and that it has informally become the responsibility of Accounting staff due to a lack of consistent CEO approach and presence at LACERA. The role of development and enforcement of travel procedures should be the responsibility of the CEO, as we set out in Section II of this Report.

Through our interviews, we became aware of a culture of distrust within LACERA over travel and education-related matters that is negatively impacting morale and creating pressure points in the Boards' and the organization's cultural dynamic. These pressure points are widespread and exist at all levels that were visible through our review -- between the Boards, among individual Trustees on the same Board, between the Boards and staff, and among and within staff divisions. Some examples expressed to us by interviewees included the following perceptions:

- There is unfairness under the Policy, particularly with regard to the difference in allowance between the Boards for international travel,
- Certain travelers are not appropriately monitoring and responding to the potential for reputational risk,
- Trustee travel is subject to less scrutiny than staff,
- Staff are judging other staff for the reasons they travel,
- Some staff are not availing themselves of perquisites permitted by the Policy in an attempt to correct what they believe is a public perception of excessive expenditures on travel, and
- The organization is becoming more known for its travel than it is for the good work that it's doing for its members and beneficiaries.

The cultural pressure points demonstrate a lack of consensus and uniformity that is imperative to repair before it begins to negatively impact organizational performance.⁹ It was reported to us that the organization is undertaking an engagement study of the staff. While we commend such an effort, it is important to note that cultural issues present themselves across all levels of an organization. There is an opportunity for LACERA to address the cultural issues through the Boards and staff working collaboratively on

⁹ A 2017 report of the National Association of Corporate Directors (NACD) Blue Ribbon Commission titled "Culture as a Corporate Asset," recommended that oversight of organizational culture be among the top governance imperatives for every board, regardless of its size or sector.

implementing the recommendations in this Report (Recommendation 1.1). We also believe that the organization would benefit from requiring an annual signed attestation by Trustees and staff that they complied with the Policy and with Section II—General Ethical Standards contained in the Code of Ethical Conduct (Recommendation 1.2). Attestations indicating compliance with codes of conduct and principles-based policies are considered standard practice.

Controls Including Separation of Duties

Controls could be strengthened. Examples include:

1. Appropriate separation of duties should be ensured so that a subordinate does not approve a supervisor's expense report. For example, to instill appropriate governance practices, the CEO's expense reports should be approved by one of the Board Chairs, and not an Assistant Executive Officer who reports to the CEO, as is the current practice (Recommendation 1.9). Subordinates approving a supervisor's expenses can create perverse incentives.
2. Appropriate separation of duties should be maintained among processing staff. It was reported to us that all travel-related transactions are processed manually and reviewed by one Accounting staff member, without backup. The staff member is responsible for properly inputting, verifying, and initiating the disbursement process for all travel-related transactions for accounting and reporting purposes, and at the same time, alongside other Accounting colleagues, auditing, and enforcing the submissions against the Policy for compliance and accuracy. Given our finding that over 50% of expense submissions needed adjustment before being paid, this is not only an example of improper separation of duties but also of insufficient staffing. It was reported to us that an ongoing personnel classification study that began in mid-2017 has resulted in the inability to hire general Accounting staff until the study concludes. In order to mitigate the significant operational risk, we recommend that LACERA hire qualified accounting staff (Recommendation 1.3).
3. Through our interviews and expense report review process, we learned that some Trustees rely on Executive Board Assistants to make scenario-specific interpretations of the Policy as it relates to their travel situations. Such questions should be directed to the CEO to avoid placing the Executive Board Assistants in a potential position of conflict due to an imbalance of power (Recommendation 1.10).
4. We found several instances where expense forms were not signed, but rather, "approval by email" was noted. In cases where the expense report is not completed by the person seeking reimbursement for approved expenses, the expense report should still be appropriately signed by the traveler. Electronic signature approvals can facilitate this process and should be utilized (Recommendation 1.14). DocuSign and Acrobat Adobe are two examples of electronic signature applications.

- Supervisors were uncertain as to their role in the review process. For example, whether they should be checking for the reasonableness of travel expenses, or completeness of receipts, or both. A formal training process for all individuals that are subject to or interact with the Policy, including the role of supervisors as approvers of expense reports, should be conducted (Recommendation 1.8).

B. Reporting and Monitoring

Reporting to the Boards is done on a quarterly basis via a working Education and Travel Expenditure Report in the form of a spreadsheet. Reports identify who traveled and for what purpose across both Boards and staff and provide a detailed breakdown of expenditures, as shown in Figure 1.

Figure 1. Excerpt of Education and Travel Expenditure Report to the Boards

Attendee	Purpose of Travel - Location - Travel Dates	Travel Status	Total Expense	Registration	Lodging	Airfare	Ground Trans	Mileage	Porterage	Parking	Meals	Per Diem	Misc.
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Totals for each column are provided per traveler as well as for all travelers per Board and each LACERA Division. Furthermore, each travel event is manually assigned a unique reference number to track education and non-education related travel.

The level of heavily-detailed reporting results in reports to the Boards that are excessively lengthy¹⁰ and not particularly useful in identifying higher-level trends. The format of reporting and manual coding is also prone to human error. Further, including staff travel in reports to the Boards is unnecessary since it ought to be under the purview of the CEO and not the Boards.

LACERA's current reporting practices underscore the challenges that the Boards and staff have in overseeing and monitoring this area. The dense reporting format is providing data but not insights. It is not conducive to effective oversight of education or travel, and risks being ignored, poorly understood, or potentially mischaracterized. We recommend that reporting be modified for the Boards to facilitate more effective oversight. At a minimum, we recommend that detailed information pertaining to staff travel be removed from Board reporting, and responsibility for oversight of staff travel be delegated to the CEO. Notably, the Boards would still retain responsibility for organization-wide travel expenses, which would be reviewed by the Boards during the budget and financial reporting processes. Further modifications to Board and CEO travel reports could include the addition of analytics and trend analyses to highlight trends or irregularities in trends (Recommendation 1.15).¹¹

¹⁰ We noted one report of 86 pages and another of 81 pages.

¹¹ Reports with trend analysis may be useful in helping LACERA be more cost-effective in its travel by informing modifications to administrative procedures. For example, this could include requiring a certain number of days advance booking for airfare for educational conferences.

C. Systems

We found the systems that support LACERA's travel and expense reimbursement process to be suboptimal in capability and coordination, particularly in light of the volume of annual travel instances processed. The documentation we requested in connection with our review of expenses was only available in hard copy. It was manually scanned for us by staff from paper documents and emails. It was reported to us that to fulfill our documentation requests, staff was required to photograph some of the documents using their LACERA issued smartphones because digital scanners were either not available to them at the time or, once they were made available during the process of our review, functioned unreliably. The process of locating and scanning or photographing paper documents required extensive time and effort on the part of LACERA staff, impacting the timeline of our review.

Tracking travel and education at LACERA require the use of different systems including Microsoft Dynamics "Great Plains,"¹² a general ledger system; Bank of America Works, the bank's online corporate credit card system; Travel Manager, an internally developed and maintained database to track and report trip cost per traveler; paper such as receipts and conference brochures; spreadsheets;¹³ and emails to establish and maintain a trail of documentation. The systems have limited integration, and the process is heavily paper-based.

As reported to us by staff, when Accounting receives paper-based forms indicating approval for Trustees or staff to travel from the Executive Office or Divisional Managers, an event with a unique reference number is created in Travel Manager by Accounting staff, and traveler names are added to this event. Paper-based approval forms are stored in a binder except for Trustee travel, where forms have been stored since July 2019 in a shared folder on LACERA's network. When payment requests are submitted through Great Plains, the Accounting staff enters a description of each transaction as well as the unique reference number associated with the occurrence of travel.

Expenses charged to corporate credit cards are filed under separate cover sheets from expense reports. This separation makes it difficult to link travel-related credit card costs to individual expense reimbursements. The lack of coordination also creates challenges for staff processing expense submissions containing corporate credit card charges. Reconciliation is manual. For example, a Trustee's travel expense report requested reimbursement for airfare that was paid for using the corporate credit card. Fortunately, Accounting staff identified and removed it before reimbursement was made. In another instance, travel booked on the corporate credit card was not manually cross-referenced on the expense report through Travel Manager using the unique event code. Having said this, we were informed by staff that the number of corporate credit cards issued was recently

¹² Version 2016 R2.

¹³ The County of Los Angeles Department of Auditor-Controller Report dated November 8, 2019 noted that LACERA relies on over 100 Excel spreadsheets in the budgeting process alone.

reduced, which mitigates some of the risks arising from this manual reconciliation process due to a decrease in transactions to reconcile.

As we understand it, there is a lack of two-way communication between LACERA's systems. For example, Travel Manager pulls expense data from Great Plains when creating travel reports, but data does not automatically flow from Travel Manager back to Great Plains. This lack of communication is also the case at specific initiation points pertaining to travel, including trip approvals which are input into Travel Manager, payment requests which are input into Great Plains, and corporate credit card transactions through Bank of America Works, creating a disconnect in data continuity between payment requests, payments, and travel occurrences. To mitigate this risk to LACERA's internal controls, credit card expenditures should be integrated into the expense report process, travel approval and other relevant travel information should be integrated into the general ledger, and expense and other documentation related to travel (such as evidence that international prerequisite training has been achieved for Trustees¹⁴) should be scanned and electronically stored in a centralized document management system along with expense reports so that they can be recalled with little effort. Automated workflow processing should be added to strengthen controls, reinforce the segregation of duties, and provide a sufficient trail of documentation from input to verification to approval.

Multiple compliance challenges are presented by the systems supporting LACERA's education and travel processing environment. Given the reliance on paper-based systems, the cost to LACERA of the human capital required to process this information as well as the effort expended to ensure compliance is high.

Third-party cloud-based travel systems are widely available and are cost-effectively used by a variety of organizations across all industry sectors. While it is common for peer systems to use internal software that they maintain or that is maintained through their State's technology department, peers are beginning to evaluate legacy systems in favor of moving toward using third-party technology tools to submit, approve, and track education and travel expense submissions.

Examples of technology tools in use by peers include Concur and Oracle Fusion. Such tools make it easier to more efficiently process and audit travel expenditures by automating workflow and help to ensure that both travel and travel-related expense processes comply with legal, policy, and procedural requirements. Altogether, this reduces compliance-related risks and should be explored by LACERA as it modernizes its operational and back-office systems.

¹⁴ Pre-approval paperwork/notices for Trustee travel to international conferences were not included in the expense report information for Trustees that we reviewed. In contrast, we found that the staff expense reports we reviewed always included this information. Staff informed us that there is a separate process for providing Board approvals to Accounting staff which was not apparent in our review of expense documentation. This was also the case for Trustee compliance with completion of pre-requisite training prior to attending international conferences.

To initiate and facilitate this process, we recommend that the Boards approve the expense for a comprehensive evaluation of all of LACERA's systems that support education and travel activities to establish proper data continuity, provide efficiency in record-keeping and reporting, and strengthen internal controls (Recommendation 1.5). The evaluation should compare the costs, risks, benefits, and impacts of LACERA's buy or build options by addressing, among others, the feasibility and needs requirements for bringing the current internal software up to modern standards that can support the volume of travel today and into the future, as well as implementing a third-party technology solution.

Section Conclusions

We reviewed policy compliance over the scope period to determine whether expense processing was consistent with the provisions of the various versions of the Policy. Based on our review, we conclude that expenses were processed in a manner that is reasonably compliant on the whole, though the materiality threshold was exceptionally conservative in some situations. As a result, a significant effort is undertaken to scrutinize expenses in order to achieve compliance.¹⁵

Based on our review of expense reports modified by Accounting staff, we noted an adjustment rate that was two to three times higher than we would have expected. LACERA is spending significant amounts of time and money to correct submitted expense reports. Further, we observed that more modifications were made to staff traveler expense reports than Trustee expense reports.

For the purpose of processing travel-related transactions within the various systems it uses, LACERA is under-resourced, lacks proper controls in the inputting, verifying, and payment initiation processes, and has exposure to operational risk. Its processes are heavily paper-based and lack technology capabilities such as comprehensive data continuity, centralized document management, and automated workflow management. We recommend that this situation be prioritized for resolution by LACERA. For example, it could be resolved initially by hiring temporary contract staff until a more permanent technology-based or outsourced solution can be agreed upon and implemented.

Finally, the bright-line and complex system of rules contained within the Policy creates areas of systemic confusion and need for fact-checking, which seems to be misaligned with the education and travel in support of the mission of LACERA. We believe that this detracts from the original intent of the Policy, which is to govern good behavior, instead

¹⁵ The International Standards for the Professional Practice of Internal Auditing define Adequate Control as: Present if management has planned and organized (designed) in a manner that provides reasonable assurance that the organization's risks have been managed effectively and that the organization's goals and objectives will be achieved efficiently and economically.

<https://na.theiia.org/standards-guidance/Public%20Documents/IPPF-Standards-2017.pdf>

of turning it into one of monitoring compliance with rules, contributing to a perspective of distrust. Indeed, we observed cultural pressure points that are negatively impacting morale, including a perception among staff travelers that their expenses are unfairly scrutinized.

Improvements to the Policy should be considered in the next review cycle with the goal that any amendments to the Policy be easily understood. We recommend that the Policy, which is primarily a travel Policy, takes the form of a principles-based approach that is approved by the Board (Recommendation 1.5). Underlying procedures should create a low difference of opinion on interpretations of the Policy components and should be developed, approved, and maintained by the CEO for Trustees and staff.

Section Recommendations

- 1.1. Address the cultural issues arising from travel practices that are impacting morale through the Boards and staff working collaboratively on implementing the recommendations in this report.**
- 1.2. Implement annual traveler attestation in respect of compliance with LACERA's Education and Travel Policy and Conflict of Interest Policy/Guidelines, as well as with Section II. General Ethical Standards, in the Code of Ethical Conduct.**
- 1.3. Hire temporary contract staff in Accounting to establish proper internal controls and mitigate operational risk related to processing accounting transactions for travel occurrences until a permanent alternative solution can be found or until sufficient permanent staff can be hired.**
- 1.4. Approve funds for a comprehensive evaluation of all of LACERA's systems that support education and travel activities to establish proper data continuity, provide efficiency in record-keeping and reporting, and strengthen internal controls.**
- 1.5. Adopt a principles-based Policy which is approved by the Board. Maintain underlying procedures that are established, approved, maintained by, and enforced for Trustees and staff under the delegation of the CEO.**
- 1.6. Research the use of travel agencies for making all travel arrangements to eliminate possible interpretive and procedural errors by travelers.**
- 1.7. Adopt a triennial review cycle for the Education and Travel Policy.**
- 1.8. Upon Policy amendment, compel training for all individuals that are subject to or interact with the Policy.**

- 1.9. Require that the CEO's expense reports be approved by the BOR Chair.**
- 1.10. Direct Trustee questions of Policy interpretation to the CEO.**
- 1.11. Conduct an analysis of whether actual meal and incidental expenses or a per diem method would be most appropriate and adopt one of these methods as a procedure for processing meal and incidental expenses.**
- 1.12. Adopt procedures that minimize the time spent on the issue of reimbursing travelers for meals paid for and consumed when meals are otherwise provided.**
- 1.13. Adopt a consistent approach to reimbursing expenses incurred in a foreign currency.**
- 1.14. Require appropriate signature approval by the traveler seeking reimbursement for expense reports prepared on their behalf.**
- 1.15. Provide trend analytics and exception-based reports on travel expenditures in monthly and quarterly reports, as well as other analytics the Boards may deem useful, with the detail available upon request.**
- 1.16. Ensure that there is consistency in expense documentation provided across all travelers.**
- 1.17. Conduct periodic processing reviews to ensure that scrutiny and enforcement are equally applied across both Board and staff expenses.**

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II. Comparison of LACERA Policy and Practices to Peers

Introduction

Mosaic administered a survey of public retirement system peers to obtain data and information regarding the structure and nature of board education and travel policies and practices. The survey sought information from a select group of comparable public retirement systems throughout the United States and internationally. Peers were selected based on board size and composition, scope (investments and benefits), asset size and portfolio complexity, and regionality.

The survey was comprehensive. It included questions relating to applicable board education requirements, the existence of policies on board education and travel, modes and types of education offered to trustees, the education and travel approval process, planning, budgeting, and reporting practices, supporting technology programs, and areas of perceived strengths and challenges in education and travel practices. U.S. peers completed the survey online. International peers were interviewed via phone to accommodate the high-level differences in their governance regimes and markets.

We received completed responses from eleven U.S. public retirement systems and five international systems.¹⁶ Additionally, we evaluated the available education and travel policies of the participating systems.

In this section, we compare the current August 2019 version of LACERA's Education and Travel Policy ("Policy") and practices with that of peers. LACERA's Policy addresses the topics of education and travel within the same Policy. To separately evaluate each topic, we have organized this section of the Report to address:

- i. Comparison of Education-Related Aspects of LACERA's Policy and Practices
- ii. Comparison of Travel-Related Aspects of LACERA's Policy and Practices

Given that policies and practices originate from the laws by which a system is governed, the practices of a specific peer or the majority of peers does not necessarily equate to a best practice. We are also not suggesting that what the majority of peer systems practice is a recommended practice. The peer survey and policy review were conducted to give a perspective on the landscape and create a "community of practice" that can be instructive for LACERA to evaluate as it considers enhancements to its own program.

¹⁶ U.S. Systems included: California Public Employees Retirement System; California State Teachers' Retirement System; University of California Pension Fund (Board of Regents); New York State Teachers Retirement System; Wisconsin Department of Employee Trust Funds; Virginia Retirement Systems; Colorado Public Employees' Retirement System; Maryland State Retirement and Pension System; Public School and Education Employee Retirement Systems of Missouri; Orange County Employees Retirement System; San Diego County Employees Retirement Association. International Systems included: PGGM, Netherlands; Ontario Teachers' Pension Plan, Canada; Public Sector Pension Investments, Canada; Investment Management Corporation of Ontario, Canada.

i. Comparison of Education-Related Aspects of LACERA’s Policies and Practices

a. Comparison of Education Policy

Education policies provide an important opportunity for public retirement systems to create alignment between their organization’s current and future needs and the skills and competencies of the slate of diverse trustees that collectively oversee it. Based on our review of peer policies, third-party best practice principles,¹⁷ and our own knowledge from our experience in assisting other peers with the development and amendment of their education policies and programs, we developed recommended high-level policy elements for an education policy (Recommendation 2.3) and compared whether the education provisions in LACERA’s Policy reflect those elements. The results of our analysis appear in the following chart.

It is important to note that the recommended high-level policy elements provide an example of a hybrid between a rules-based policy format and a principles-based policy format. This accomplishes the objective of moving LACERA in the direction of a principles-based policy format in a controlled manner that manages the risk associated with changing from the current rules-based policy format.

Recommended Policy Elements	Addressed by LACERA’s Policy?	Observations	Recommended Action
Statement of Purpose Identifies the rationale for the policy and acknowledges a board’s collective and trustees’ individual fiduciary duty	Partially	Rationale addressed (Statement of Purpose); Trustee individual fiduciary duty not expressly addressed	Enhance
Definition of Covered Individuals Clearly delineates the individuals covered by the policy, particularly when there may be designees for ex-officio members.	No	No definition of “designated staff”; silent as to the applicability to Treasurer and Tax Collector’s delegate(s)	Add

¹⁷ For example, see Clapman, Peter, et. al. “Model Governance Provisions to Support Pension Fund Best Practice Principles,” Clapman Report 2.0, 2013. Clapman, Peter, et. al. “The Stanford Institutional Investors’ Forum Committee on Fund Governance Best Practice Principles,” 2007.

Recommended Policy Elements (cont'd)	Addressed by LACERA's Policy?	Observations	Recommended Action
<p>Principles Examples of policy principles can include:¹⁸</p> <ul style="list-style-type: none"> • Views on appropriate methods for educating trustees. • Need for education tailored to individual trustees' educational needs in alignment with the organization's strategic plan and the board's governance-decision making model. • Expectation that only reasonable and necessary expenses should be incurred on behalf of the system. 	Partially; not expressly stated as such	Statement of Purpose contains principles about the need for education and expectation of reasonable and necessary expenses	Enhance
<p>Statement of Education Requirement For example:</p> <ul style="list-style-type: none"> • Twenty-four hours of board member education within the first two years of assuming office and for every subsequent two-year period.¹⁹ • Any additional mandatory education requirements by policy or by law such as fiduciary training, open meetings law training, ethics training, and prohibition on sexual harassment training. 	Partially	Statement of Purpose references hourly requirement; Attachment C provides indirect reference to appropriate topics through Pre-Approved Conferences	Enhance

¹⁸ Ibid.

¹⁹ See California Government Code §31522.8.

Recommended Policy Elements (cont'd)	Addressed by LACERA's Policy?	Observations	Recommended Action
<p>Qualifying Educational Opportunities that Satisfy Requirement</p> <p>Identifies types and modalities of education and training.</p> <ul style="list-style-type: none"> Provides consensus preferences for education sourcing: targeted mix of internally and externally provided education; local, in-State, national, and international opportunities. 	No	Not expressly addressed; Statement of Purpose defines education conferences and administrative meetings, implying that Trustees travel to obtain education	Add
<p>New Trustee Onboarding</p> <p>Ensures that new trustees are informed of the system's issues and acquire the skills and capabilities in a structured way in their first year of service to effectively acclimate to the system.</p>	No	Not expressly addressed; the Policy does not require orientation or address the timing or outline of such a program. There are pre-requisites that Trustees must complete before they can attend international conferences (§705.00.A.8)	Add
<p>Continuing Education (Trustee Development)</p> <ul style="list-style-type: none"> Expresses importance of staying abreast of current issues and trends to effectively fulfill fiduciary duties and the system's vision as expressed in the strategic plan. Outlines the curriculum for continuing education and preferred board/trustee competencies. 	Partially	Not expressly addressed beyond reference to legal Board member education requirement (Statement of Purpose)	Enhance
<p>Limitations</p> <p>Limits and process for addressing the limitations. For example:</p> <ul style="list-style-type: none"> Number of conferences that can be attended. Number of individuals (i.e., Board members and staff) attending the same event. How attendance priority is determined. 	Partially	See §§ 705.00.A.1-2, 705.00.A.4-6, 705.00.A.8, Attachments B and C	Enhance

Recommended Policy Elements (cont'd)	Addressed by LACERA's Policy?	Observations	Recommended Action
<p>Mentoring Assists new trustees in becoming familiar with board norms, context, and protocols, through the lens of an experienced board member.</p>	No	Not expressly addressed	Add
<p>Tracking, Monitoring, and Reporting Addresses how and when reporting on compliance with the policy will be provided. For example:</p> <ul style="list-style-type: none"> • Tracking board member compliance with the Education Policy.²⁰ • How transparency will be achieved with Board member policy compliance.²¹ • How annual self-evaluation of education and training will occur.²² 	Partially	Reporting (§705.12); Trustees are “encouraged” to share with other Trustees what they learned at their conference at a regular Board meeting, but it is not “required” (§705.13); Record of compliance not expressly addressed	Enhance
<p>Approval Process Addresses pre-authorized education, if applicable, as well as who has the authority to approve individual education events, the process by which approval occurs for covered persons under the policy, and exceptions.</p>	Yes	See §705.00, which contains detail about the approval process for trustees. The approval process for staff focuses on travel, is silent on education approval, and contains confusing or possibly conflicting provisions (§705.00.B).	Enhance

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²⁰ California Government Code § 31522.8 (d).

²¹ Ibid.

²² The Board of Investments Charter, Section 4.5, references an annual self-assessment requirement.

Recommended Policy Elements (cont'd)	Addressed by LACERA's Policy?	Observations	Recommended Action
<p>Responsibilities of the Board, Individual Trustees, and the CEO Delineates responsibilities in developing, overseeing, and participating in the education program, including:</p> <ul style="list-style-type: none"> Identify appropriate topics for board member education (curriculum and core competencies).²³ Establish a means for determining the programs, training, and educational sessions that qualify as board member education.²⁴ 	Partially	Only addressed as it relates to travel (§705.00.B., §705.03.2); no express delineation of Boards', CEO's, or individual Trustee's responsibilities relative to the education program, including new Trustee orientation.	Enhance
<p>Coordination with Other Related Policies Cross-references related provisions of other charters or policies within a board's framework that are linked to trustee education such as a code of conduct and board self-evaluation policy.</p>	No	Not expressly addressed	Add
<p>Policy Review Cycle Every three years.</p>	Yes	Annually or as needed (§705.18)	Enhance

In our review of LACERA's policy documentation on its website, we found other education-related policies of the Boards. It was unclear how these policies interacted with the Education and Travel Policy. We also noted that the Boards' Charters delineate specific responsibilities regarding education oversight. This type of reference demonstrates the expected coordination within LACERA's overall policy framework; however, there are inconsistencies between the requirements of the Charters and actual practice. For example:

- The BOR Charter²⁵ references a development policy, which presumably would be related to individual Trustee development; however, we were informed by staff that this policy does not actually exist.

²³ See California Government Code §31522.8.

²⁴ Ibid.

²⁵ Board of Retirement Charter, Section 6.1.4.

- The BOI Charter²⁶ compels the BOI to conduct an annual self-assessment. It was confirmed by staff that this responsibility has not been fulfilled in a formal way. The BOI conducted a review of its Committees in 2019.
- There is no similar reference to a self-assessment in the BOR Charter.
- The BOI Charter²⁷ references an annual evaluation of training requirements, which, again, as confirmed by staff, is not conducted in a formal or holistic way.
- A Board Training Policy exists on LACERA's website among the Boards' governance documents. We were informed by staff that it has not been approved by the Boards, though we understand that it is presently in the process of being updated.
- A Board Member Educational Requirements Policy exists for each Board, dated August 2012. Although it is available through LACERA's website, it is not specifically referenced by the Education and Travel Policy.

As demonstrated by the comparative chart above, and through our review of LACERA's related Charters and policies, LACERA's governance documentation on board education can be improved. As a starting point, we recommend that the education policy be separated from the travel policy in order to rebalance the focus between education and travel that exists in the current Education and Travel Policy, and ensure that there are appropriate linkages between other existing education-related policies and documents to the education policy (Recommendation 2.1).²⁸ Through the interview process, we found that some Trustees already had insights into this concept and suggested such a split, believing it would enhance usability.

The peer survey research supports the direction of separation. The majority of US peers surveyed (8 of 11) have a policy in place to address board education, all of whom have a standalone board education policy. Of the international peers surveyed, only one had an education policy. This is due to the fact that the vast majority of directors come to board service with decades of experience as actuaries, professional investors, central bankers, and academics, among others. In some markets, director candidates are tested by regulators on a body of knowledge to be qualified to sit on the board.

Furthermore, only one U.S. peer addressed the topic of staff education and training in the same policy as for the board. Because trustee and staff duties and educational requirements vary greatly, provisions related to staff education and training ought to be removed from LACERA's Board Education and Travel Policy and maintained by the CEO in a separate staff policy (Recommendation 2.2).

It was also reported to us that peer information was not consistently provided to the Boards for consideration during the Education and Travel Policy review process, though some peer

²⁶ Board of Investments Charter, Section 4.5.

²⁷ Board of Investments Charter, Section 4.5.2.

²⁸ For purposes of readability and further reference within this Report, the defined term Education and Travel Policy refers to LACERA's current combined education and travel policy. References to a standalone education policy or travel policy will be specifically described as such within the text.

information was provided in the most recent cycle of amendment in August 2019. Information related to peer education and travel policies and practices should be regularly provided to the Boards when they are considering policy amendments.

b. Comparison of LACERA Education Practices with Peers

We conducted a comparison of LACERA's education practices with those of surveyed peers. We also compared LACERA practices to recognized best practices and our own knowledge and experience in working with other public retirement systems.

We organized our analysis across the following four categories: Education Requirements, Approval Process, and Types of Education that Satisfies Requirements, and Monitoring, Reporting and Evaluation Practices.

i. Education Requirements

To ensure that public retirement systems are overseen by well-informed boards, trustees may be required by applicable law or by policy to satisfy a minimum number of continuing education hours. Although some systems have had long-standing legal requirements for trustee education, there has been a notable trend over the last decade for legislatures to enact laws requiring continuing education. Because some of the states that enacted such laws have a large number of public retirement systems, the net result is that trustee education requirement is becoming more commonplace within the industry.

Most of the U.S. peers surveyed (9 of 11) have educational requirements in some form. However, the requirements varied greatly in number of hours required, the applicable time period (annually or biannually), and, for some systems, the requirements differed based on trustee tenure (new versus experienced trustee). Among the peer group, the education requirement for new trustees ranged from undefined to 30 hours every two years, and continuing education ranged from undefined to 24 hours every two years. The significant range in the requirements is due to the fact that there is no uniformly accepted standard within the industry for what amount or type of education is needed by public retirement system trustees to perform optimally.

LACERA's applicable law requires Trustees to attain 24 hours of education every two years regardless of tenure. This requirement is on the high side of the range for Trustee education reported among the peer group. It is consistent with the legal requirement and/or policy requirement applicable to other California public retirement system trustees.

LACERA's applicable law also provides examples of appropriate topics for Board member education, including fiduciary responsibilities, ethics, pension fund investments and investment program management, pension funding, benefits administration and new Board member orientation. Some peers have either been subjected to a comprehensive curriculum, or certain aspects of competency, such as professional

knowledge or skills, through a statutory provision or have voluntarily adopted a curriculum.

LACERA has the legal authority to establish a means for determining the programs that qualify as “board member education,” but it has not established a curriculum specific to its own Trustees’ and organizational needs. A curriculum-based approach to education would be more effective at ensuring that the process of obtaining education is a strategic and deliberate one in support of the LACERA’s organizational goals and objectives (Recommendation 2.4).

While a curriculum is useful in the ongoing development of experienced Trustees, it is particularly important for new Trustees. Although LACERA reported to us that it has a basic internally provided orientation program that has evolved over time, it does not have a comprehensive, standardized, and consistently applied core training expectation for new Board members beyond the successful completion of Education and Travel Policy pre-requisites for Trustees to attend an international benefits or investment conference.

ii. Approval Process

Pre-Approval Process and Use of Conference Lists

LACERA staff produces and circulates to Trustees an “up to date” conference list on a monthly basis that identifies upcoming conferences of possible interest. LACERA’s Policy also includes a list of pre-approved external conferences. According to the Policy,²⁹ if a Trustee would like to attend a conference not on the pre-approved list, and not subject to Section 705.00.A.2 of the Policy, the Policy requires approval from that Trustee’s Board. All international conferences also require Board approval.³⁰

While LACERA’s pre-approved list commendably provides for a somewhat tailored approach in that each Trustee can self-select education opportunities aligned with interest areas, the list of possible topics permitted through the Pre-Approved Conferences in Attachment C is very broad, and its entire focus is external conference opportunities.

As mentioned previously, LACERA does not have a customized curriculum or Board competency framework, so there is no specific guidance to aid a new or experienced Trustee in linking back to what is appropriate and necessary for LACERA or to align with LACERA’s future vision and strategy. Further, LACERA Trustees do not rely on any particular planning practice, such as individual development plans, to prospectively plan their education paths. While a minority of Trustees reported to us that they plan their educational opportunities a full year in advance, the more common approach

²⁹ 2019 Education and Travel Policy, Section 705.00.A.4.

³⁰ 2019 Education and Travel Policy, Section 705.00.A.5.

reported was for Trustees to make an ad hoc determination to attend conferences and events.

Many surveyed peers have adopted limitations as a way to ensure that the system's resources are being used optimally. Half of the peer systems reported having policy limits on Trustee education. These limits took a variety of forms, including an overall budget, a per-trustee budgeted amount, the number of conferences allowed per year, the number of international trips per year, approval for an event not on a pre-approved or circulated current conferences list, and approval of all international education opportunities whether it was on a pre-approved list or not. This is consistent with LACERA's recent practices and Policy.

Also consistent with LACERA's practices, the majority of systems reported maintaining an up-to-date listing of high-value professional association conferences or seminars for trustees to consider. Over the years, the peers reported a purposeful shift away from for-profit or industry-sponsored conferences supported by investment management organizations to mitigate the appearance of potential influence or conflict of interest situations. One Canadian pension fund cited a board norm that such events are not to be attended.

As we understand it, LACERA has not reviewed its pre-approved conference list or up-to-date conference list from a holistic perspective of lenses of value, quality, and other reputational risks, but could benefit from doing so given the increasing scrutiny that such conferences are receiving in an already crowded sphere of conference providers (Recommendation 2.7). Interviews with some of the Boards' consultants supported this insight.

Approval Process

LACERA uses the consent agenda to approve Trustee education requests when Board approval is required by the Policy. A consent agenda item by its nature suggests a non-controversial or routine subject matter. Through the interviews, a number of Trustees questioned whether the consent agenda remains an effective mechanism for which to approve education and travel. Some Trustees reported that, particularly in light of items highlighted through recent audits, they would have liked to have had the opportunity to ask questions about the selection of certain educational conferences at the time of approval. Some expressed concern in hindsight that some conference attendance had the potential perception of being too closely related to personal interests. While this was not the perception for the vast majority of education conferences attended by Trustees, the consent agenda label supports the impression that the item offered for review and action was within acceptable Board norms.

Staff reported to us that it recently enhanced the information provided to the Boards with expected costs for each requested trip to support the approval process. While this additional information is useful, we believe that the Boards should also take into consideration, at a minimum, the year-to-date expenditures on education and education-related travel costs in comparison to the annual budget at a Board level to better align with peer practices. For example, some peer systems reported providing

their boards with information on total committed expenditures to date versus the approved fiscal year education and travel budget. LACERA may also want to provide detail as to the requesting Trustee's total travel expenditures to year-to-date, as well as the Trustee's progress toward satisfying education requirements.

To further mitigate reputational risk associated with education, LACERA ought to consider requiring that Trustees provide additional documentation in the approval process for conferences. This could take the form of attestation that the traveler requesting the trip has reviewed other available local or regional alternatives, and that, to the best of his/her knowledge, provides an appropriate rationale as to why attendance at the educational event is important. While this increases the documentation burden on individual Trustees, it provides protection to the Boards from a fiduciary standpoint by having a prudent process in place to address such items that are naturally subject to interpretation and reputational risk.

Although the use of a consent agenda to approve board education is a common practice, it seems to have contributed to putting LACERA and its Trustees in a position of undue reputational risk. Modifying the information provided may be the enhancement needed to yield meaningful improvement. In the interim, LACERA ought to consider removing education and travel approval requests from the consent agenda and evaluating alternative approval processes to ensure that effective opportunity for discussion is provided and decision-making is supported (Recommendation 2.6).

iii. Types of Education that Satisfy Education Requirements

Qualifying Education in Light of Legal Requirements

When continuing education is required by law and/or policy, peers reported that it could be fulfilled through many mediums, including:

- Professional association conferences or seminars, such as participation in a State association or university-sponsored investment or pension management program,
- Education presentations made during board/committee meetings by staff, board consultants, or outside speakers,
- Board education offsites sponsored by the system,
- New trustee orientation provided by staff or consultants,
- Self-study such as webinars or reading relevant books or periodicals, and
- Immersive training such as meetings with staff outside of regularly scheduled board meetings and attendance at specified education meetings provided to the membership such as member benefit group education meetings (retirement or health care meetings).

Although LACERA's Policy delineates some of the high-level functions of the Boards relative to the need for education, it does not clearly outline the various modalities that can fulfill the continuing education requirements. It is a combined Education and Travel

Policy; however, the majority of the text outlines how much and when travel is allowed and how it will be reimbursed.

In practice, LACERA makes available all of the aforementioned forms of trustee/board education. However, as noted in our policy comparison, LACERA's Policy sets a tone that Trustee travel to external conferences is necessary for Trustees to satisfy the education requirement.

The tone was reflected in the interview process. Specific examples include:

- While some Trustees reported to us that they engage in self-study such as webinars or reading relevant books or periodicals, the large majority view external conferences as the only way to satisfy their educational requirement. Some questioned whether online training like webinars should count at all toward satisfying education requirements because there is no check and balance to ensure that attendees engaged without distraction throughout the entire session.³¹ The sentiment was that online training is not and does not provide legitimate education.
- Some Trustees acknowledged that traveling for educational purposes is a long-standing cultural belief of the Boards. Reflecting on their time as new Trustees to the Boards, they reported being informed by other Trustees that they need to travel to obtain education.
- The majority of Trustees could not clearly articulate the internal education opportunities that counted toward meeting their legal education requirements, such as that provided through new trustee orientation,³² Board offsites, or regular Board and Committee meetings.

Staff reported tracking the continuing education hours that Trustees receive from external conferences, but not for the entire suite of education modalities.

Use and Applicability of In-House Versus External Education Events

LACERA's practices regarding the applicability of in-house education differ significantly from the current practices of peers surveyed. The majority of U.S. peers provide some level of trustee education internally, with the majority providing between 50% and 75% of the education provided to trustees internally. This mode of internal education included bringing in outside experts to address the board members during regular board and committee meetings or board offsites. Among international peers, opportunities for external education are rarely partaken. Instead, when education is sought, preference is heavily weighted toward internal education.

³¹ There is also no such check and balance at industry conferences that conference registrants attend and engage without distraction in the sessions offered.

³² California Government Code § 31522.8 expressly provides that new board member orientation satisfies the education requirements set forth under law.

There is a clear trend over the last decade to favor the provision of “in-house education” over externally provided education events. All U.S. peers except one reported having the same or an increased level of in-house education over the past decade, citing reduced cost and convenience as the primary benefits. Research also has established a linkage between the value of teams learning together and their overall effectiveness.³³

As the allocation to in-house education has increased among the peer group, attendance at external education events, including association conferences, has either decreased (1 of 11) or stayed the same (9 of 11). In response to the same survey questions, LACERA reported that less than 25% of its education was provided internally versus externally with in-house education levels staying the same over the past ten years. During that same time period, LACERA has experienced an increase in attendance at external education events by Trustees.

It is important to note that public pension industry association conferences design content to attract the interest of their general membership and not for any system specifically. The alignment, or lack thereof, with LACERA’s needs can be significant. This is particularly notable given that the majority of Trustees reported to us through the interview process a belief that as an organization, LACERA has few, if any, peers.

Trustees reported through their interviews a perception that in-house education was not as reflective of emergent issues faced by LACERA as what could be obtained externally. This could possibly be due to the omission of in-house education in the Policy. At the same time, when asked to provide examples of quality in-house education provided, specific examples were referenced that clearly addressed some emerging trends. For example, the sustainability education sessions, which were led by internal staff who sourced expert speakers were positively referenced, along with education sessions on the disability process through the Disability Procedures Committee. In light of how readily the in-house education success stories were recalled, it is challenging to know if the lack of acceptance of in-house education is being supported by the long-standing cultural belief that education for LACERA is defined through external sources where travel is required.

To evaluate the high-level sufficiency of in-house education, we reviewed as a proxy the agendas of the 2019 offsites for the BOR and BOI. Education spanned a wide range of topics, including healthcare issues, investment strategy matters, actuarial matters, state and federal legislative updates, and technology issues such as cybersecurity. Each agenda provided six to seven hours of content, delivered by staff, Board consultants, and outside experts and guest speakers. This practice is consistent with peers. It is notable that some peers intentionally pre-plan their offsites and regularly provided board education such that trustee education requirements can be completely satisfied through attendance.

LACERA staff and Board consultants also provide education periodically through regular Board and Committee meetings. The LACERA staff and the Boards’ consultants

³³ Schein, E. (2013) *Humble Inquiry*. Oakland: Berrett-Koehler Publishers.

are experts in their fields who routinely speak at national or regional industry association conferences. Upon review of LACERA's Board consultant contracts, we found the majority of Board consultants had general contractual provisions requiring them to provide Board or individual Trustee education (Recommendation 2.9). This is consistent with over half of the peer funds surveyed, as well as with best practices. LACERA should standardize its agreements in this regard.

We recommend that LACERA establish a target for in-house and externally provided education (Recommendation 2.8).

New Trustee Orientation

Having a formalized trustee orientation program is a globally recognized best practice in governance.^{34 35} All of the peers that reported having an education policy also indicated having a form of trustee orientation, ranging from a basic program to one that is comprehensive and inclusive of various topics and elements.

For new trustees, the process of orientation can feel overwhelming, given the significant breadth of topics covered. In response, international and progressive U.S. peers are expanding their orientation process from one or two days to a period spanning several months. Under this newly expanded approach to orientation, each session can take up to four to five hours and is planned around board meeting schedules and the agendas of upcoming board meetings. The new board member learns about the topics which will be discussed at the next board meeting.

Orientation sessions include information about the current status of strategic initiatives of the system, but also historical context, key changes that have been made over time and why, and how the funding, investment, and governance policies work. Other thematic topics cited for this approach to orientation were risk and managing the brand of the organization.

Materials are provided in advance, and new board members are expected to come to sessions prepared to participate. The board leadership or existing board members are invited to attend so that they may offer their insights from the board's perspective. More tailored education for new trustees is also provided based on which committee that individual will be serving, as well as their areas of expertise and interest. To round out the approach, a follow up is scheduled with new board members after a period of time, such as six months or one year. The purpose of the follow up is to assess whether there is any additional information the individual needs that the onboarding process hasn't to date been provided.

³⁴ Clapman, Peter, et. al. Clapman Report 2.0, "Model Governance Provisions to Support Pension Fund Best Practice Principles," Stanford Institutional Investors Forum, 2013.

³⁵ NACD, "Navigating the First Year: An Onboarding Guide for New Directors," 2019.
<https://www.nacdonline.org/insights/publications.cfm?ItemNumber=39560>

Through the interview process, we asked LACERA Trustees to describe the type, level, and timing of orientation received at the outset of their service to the Board. The experiences reported were wide, varied, and largely inconsistent. While we believe the inconsistency in approach and delivery is likely due to the turnover in senior management, it is the responsibility of the Boards to ensure that a prompt, thorough orientation is provided to its new members by its CEO, staff, and consultants, and to hold the CEO accountable for implementing the Board's direction in this regard.

Trustees were also unclear as to whether orientation counted toward satisfying the legal education requirement for Board members. Staff reported to us that the approach, content, materials, and accountability for delivering the new trustee orientation program has been in transition over the past several years; however, orientation materials were scheduled to be updated within the next year. We recommend that LACERA refresh, formalize, and stabilize the delivery of new trustee orientation and develop a broader Trustee onboarding program (Recommendation 2.10).

iv. Monitoring, Reporting, and Evaluation Practices

Monitoring Overall Education Policy Compliance

Given the legal basis of LACERA's board education requirement, it is important to monitor compliance with the Policy and periodically report on it. It is also an important mechanism in supporting the transparency of board operations.

LACERA's Boards need to receive appropriate content at the right frequency to sufficiently fulfill their responsibility to oversee the Trustee education program. Just under half of peers reported a practice of annually providing information to their board on trustee continuing education compliance. A minority provided reporting more frequently – either semi-annually or quarterly. The significant majority of peers with a staff education requirement (8 of 10) reported that their board does not review information related to staff continuing education, other than for the CEO if continuing education requirements apply since that is the domain of management and not the board.

LACERA Trustee education compliance reports are completed semi-annually (in terms of hours, not competencies or subject matter), consistent with the minority of peer practices. They provide an aggregate view of all Trustees and their current compliance status.³⁶ Additionally, LACERA provides a snapshot of Trustees' compliance status within the individual biographies posted on LACERA's website. Trustee education and travel reports are provided monthly, and expenditure reports are provided quarterly. These various reports are publicly available through LACERA's website, furthering its commitment to transparency. The Boards also receive monthly reports on staff continuing education and travel expenditures, which is not necessary.

³⁶ For example, met requirements or in the process of meeting requirements.

LACERA's reporting frequency of Trustee continuing education is reasonable, given the peer group's practices. LACERA's monitoring practices do not take into consideration the full spectrum of education opportunities undertaken by Trustees, and accordingly, need improvement. While compliance with applicable legal standards for continuing education is met by LACERA's monitoring process, the Boards receive virtually no information as to the quality or appropriateness of education received by Trustees given LACERA's organizational needs. We believe that this is a result of LACERA's Policy being principally dedicated to rules governing travel more so than education. We recommend that LACERA rebuild its continuing education reports in alignment with any changes it makes to its education policy. For example, this could include linking to established curriculum requirements in addition to satisfying education hours.

Post-Conference Evaluations

Considerable resources are invested by public retirement systems in trustees' education and training. To ensure that the resources are utilized effectively, some systems require trustees to share information from the events attended to the board and/or staff, and to evaluate the relevancy and value of external conferences given its cost. Half of the peer systems surveyed required or encouraged some form of information sharing and/or evaluation of the conferences attended. Related practices included the following:

- Requiring a trustee's completed conference evaluation as a condition of expense reimbursement,
- Posting the trustees' written evaluations to the board's web portal,
- Requiring, versus simply encouraging, trustees to share their experience and perspectives about the recently attended conference or seminar during the next board meeting,
- Providing the materials from the conference or seminar to the CEO or staff, and
- For non-pre-approved conference attendance, requiring that a written report be provided to the board after the conclusion of the conference.

Consistent with LACERA's Policy, LACERA reported that Trustees are encouraged, but not required to share their experiences from conference attendance. It was reported to us through the interview process that when this type of sharing does occur, it is limited and typically at a very general level. Some Trustees reported to us that as a matter of personal practice, they typically share materials obtained through conferences with staff. When asked through the interviews about bolstering post-conference attendance evaluations, Board sentiment was mixed. Many saw the value in sharing information and feedback; others believed that such practices had limited usefulness, would be overly burdensome on Trustees, and should not be considered or required.

To be clear, it should be conveyed and understood that post-conference evaluation practices are recognized best practices³⁷ and serve the purpose of providing sufficient fiduciary documentation, and therefore risk mitigation, given the expense. It should also serve the purpose of sharing perspectives about the quality of educational events. At a minimum, we recommend LACERA's practices include a requirement for Trustees to complete a post-conference evaluation, including key substantive takeaways and whether the conference merits future attendance, post the evaluations to the Boards' online portal, and share any conference materials received with the Boards and the CEO (Recommendation 2.11).

Annual Trustee Education Self-Assessments

Some peers have adopted a practice of requiring trustees to annually reflect on and develop a self-directed continuing education program for the upcoming year based on individual interests, fiduciary responsibilities, educational requirements, including curriculum and competencies, and the system's overall strategy. Approximately half of the peer survey respondents had a trustee educational self-assessment, which is consistent with recognized best practices among public retirement systems.³⁸

LACERA does not currently use such a practice, but we believe it could benefit from doing so. As mentioned previously, LACERA's current method of having Trustees report out during regular Board meetings about recent conference attendance is not a particularly useful or effective practice. It should be discontinued in lieu of engaging in annual self-evaluations of Trustee education where all Trustees can reflect on their educational experiences and needs (Recommendation 2.12). This discussion venue can also be used to shape future in-house educational offerings. Through the interview process, we queried Trustees to gauge sentiment as to the potential value of such a practice. The majority believed that it could be useful and would be worthwhile to consider.

ii. Comparison of Travel-Related Aspects of LACERA's Policies and Practices

Travel policies provide an important opportunity for public retirement systems to create organizational alignment around travel as set out by the board, ensure prudent expenditure of trust fund money, and provide a framework for board oversight and staff implementation. In addition, they should address the need to have an accountable plan under Internal

³⁷ Clapman, Peter, et. al. Clapman Report 2.0, "Model Governance Provisions to Support Pension Fund Best Practice Principles," Stanford Institutional Investors Forum, 2013.

³⁸ Clapman, Peter, et. al. Clapman Report 2.0, "Model Governance Provisions to Support Pension Fund Best Practice Principles," Stanford Institutional Investors Forum, 2013.

Revenue Service guidelines.³⁹ Here, we present our evaluation of the following topics: Policy Discrepancies, Travel Policy Comparison, and Travel Practices Comparison.

a. Policy Discrepancies

Through our evaluation of LACERA's travel expenses⁴⁰ and, therefore, close inspection of the Policy, we noted two things that are worthy of mention. First, we noted through the amendment of prior Policies an intention by the Boards to strengthen travel practices with the goal of reducing some of the costs associated with travel. Second, we observed discrepancies in the newly revised Policy that ought to be addressed (Recommendation 2.13). Examples of discrepancies are as follows:

1. It is unclear whose approval is required for staff member travel.⁴¹ The Policy references approval by the traveling staff member's Division Manager, Assistant Executive Officer, and the CEO. However, this same Policy section states that the CIO has the sole authority for all staff travel approvals and decisions under any provisions of the Policy. This latter provision suggests that the CIO approves not just investment staff travel, but all staff travel, including the CEO's. This section is confusing, inconsistent with actual practice as reported to us by staff, and needs clarification.
2. The travel and education portions of the Policy provide different definitions of the term "international." Canada and Mexico are identified as international locations under the travel portion of the Policy,⁴² but they are not defined as international locations under the education portion of the policy.⁴³ The definition should be consistently applied across both education and travel.
3. Business-class travel is, in part, defined by originating or departing "international location," including Canada and Mexico.⁴⁴ We observed the interpretation of the business class travel Policy criteria causing confusion among travelers within our expense review. It may be clearer to streamline the criteria and limit business travel to any trips exceeding a certain number of direct flight hours, irrespective of whether travel is domestic or international, and eliminate the definition of international travel.
4. Under the "Waiver of Policy Provisions,"⁴⁵ the Boards may waive compliance with any aspect of the Policy when in the best interests of LACERA. For clarity, the best

³⁹ Please see IRS guidance on accountable plans at 26 Code of Federal Regulations, Section 1.62-2, "Reimbursements and Other Expense Allowance Arrangements," and IRS Publication 463, Travel, Gift and Car Expenses - Reimbursements.

⁴⁰ Please see Section 1 of this Report – Education and Travel Expenses Review.

⁴¹ Section 705.00.B

⁴² 2019 Education and Travel Policy, Reimbursement Schedule, Attachment A, Section A.1.c.

⁴³ 2019 Education and Travel Policy, Section 705.00, A.1.

⁴⁴ 2019 Education and Travel Policy, Reimbursement Schedule, Attachment A, Section A.1.

⁴⁵ 2019 Education and Travel Policy, Section 705.16.

interests of LACERA should be defined so as to ensure consensus agreement and transparency around the circumstances of waiver.

b. Travel Policy Comparison

All responding U.S. peer systems address travel through a standalone travel policy separate from the education policy. Slightly more than half combined board and staff policies, the remaining peers did not. Some peers were subject to their plan sponsor’s travel regulations and guidelines (e.g., the state); therefore, they had little control over parameters for reimbursable expenses. Regardless of whether they did or did not have control over their applicable travel rules and regulations, the peers’ travel policies tended to be shorter, higher-level policies than LACERA’s.

LACERA has a combined education and travel policy that sets forth provisions applicable to both the Boards and staff. LACERA also reported not being subject to the County’s travel guidelines and parameters. Therefore, it has the responsibility to develop and implement its own travel regulations and guidelines and has the opportunity to set out principles that govern behavior related to travel.

Based on our review of peer policies, best practice principles, and our own knowledge and experience in assisting other peers with the development and amendment of their travel policies and programs, we observed that LACERA’s policy contains mainly travel procedures versus policy language. We recommend that LACERA capture the Boards’ principles and positions on Trustee travel in a standalone Board travel policy and that administrative procedures be removed from the Policy document and delegated to the CEO (Recommendations 2.14 and 2.15).

A description of the recommended policy elements (Recommendation 2.14) follows. Similar to the recommended policy elements that appear earlier in this report pertaining to the education policy, we provide an example of a hybrid between a rules-based policy format and a principles-based policy format, with the suggestion that the majority of prescriptive rules around travel could be moved to an administrative procedures document under the purview of the CEO. This accomplishes the objective of moving LACERA in the direction of a principles-based policy format in a manner where the amount and pace of change can be controlled.

Recommended Policy Elements	Addressed by LACERA’s Policy?	Observations	Recommended Action
Statement of Purpose Identifies the rationale for the policy and acknowledges the Board’s collective and Trustees’ individual fiduciary duty.	Yes	See Statement of Purpose; Trustee individual fiduciary duty not expressly addressed	Enhance

Recommended Policy Elements	Addressed by LACERA's Policy?	Observations	Recommended Action
<p>Definition of Covered Individuals Clearly delineates the individuals covered by the policy, particularly when there may be alternate Trustees or designees for Ex-officio members.</p>	No	No definition of "designated staff"; silent as to applicability to Treasurer and Tax Collector's delegate(s)	Add
<p>Principles Examples include:</p> <ul style="list-style-type: none"> • Covered travelers are expected to use prudence, discretion, and good judgment to ensure that all expenses incurred are authorized, reasonable, and necessary. • A traveler is expected to make travel arrangements in the most economical manner to the system, in consideration of the traveler's schedule. • Travel should be conducted in relation to and support of the board's governance responsibilities, individual trustees' development plans, system's specific education competencies and curriculum, and the strategic plan. • Local, in-state, and in-country opportunities should be emphasized over international opportunities, where possible. • Prohibition on receiving gifts of travel or traveling for events that can create the appearance of "pay-to-play" or other such impropriety. • Appropriate and timely reimbursement shall be made for expenses incurred in the completion of duties. 	Partially	See Statement of Purpose; There is no connectivity to a curriculum/competencies, trustee development plans, or the System's strategic plan. There is no emphasis on local, in-state, and in-country opportunities.	Enhance

Recommended Policy Elements	Addressed by LACERA's Policy?	Observations	Recommended Policy Elements
<p>Types of Travel For example, educational conferences, non-educational events when requested or approved by the Board, travel to Board and Committee meetings, stakeholder events, etc.</p>	Yes	Statement of Purpose contains definitions of Educational Conferences and Administrative Meetings	Maintain
<p>Broad Categories of Limitations and Non-Reimbursable Expenses Addresses policy positions on common situations such as when traveling with family and friends, or with other Board members, staff, or system service providers, as well as a situation where a Trustee has resigned, retired, lost their election bid, or chose not to seek another term on the Board.</p>	Partially	See §705.00.A.9 requires cessation of future travel once a Trustee is aware their term of service will end. See §705.08 for limitations on expenses when traveling with personal companions. Beyond §701.15, Brown Act Compliance, the Policy does not expressly address situations where Board members travel with staff or system service providers.	Enhance; Alternatively, this concept could be expressed as a high-level principle, with specific details maintained in the administrative travel procedures.
<p>Approval Process. Addresses who has the authority to approve, the process by which approval occurs for covered persons under the policy, and exceptions.</p>	Yes	See §705.00, which contains detail about the approval process for trustees. The approval process for staff contains confusing or possibly conflicting provisions (§705.00.B). It is unclear who approves CEO travel.	Enhance
<p>Expense Reimbursement Process. Cross-references the administrative procedures that are developed, maintained and enforced by the CEO.</p>	Yes	See Attachment A, Reimbursement Schedule	Maintain in a document separate from the Travel Policy.
<p>Monitoring and Reporting. Describes how oversight of Board compliance with the policy will occur, at what frequency, and addresses transparency in reporting.</p>	Yes	See §705.12, which contains detail about the Travel Reports provided to the Boards and the frequency and manner in which they are provided.	Reduce the detail describing the format/content of the reports.

Recommended Policy Elements	Addressed by LACERA's Policy?	Observations	Recommended Action
Responsibilities of the Boards, Individual Trustees, and CEO. Addresses oversight of the travel policy, the responsibility to become familiar with the travel policy and procedures prior to embarking on business travel, and other expectations around maintaining and enforcing the travel procedures.	Partially	Provisions that apply are organized under each relevant topic and not in a centralized area within the Policy	Enhance
Coordination with Applicable Law and Other Policies. Addresses applicability of FPPC requirements, IRS requirements, education policy, standards of ethical conduct, conflict of interest and gift policies, no-contact policy, or quiet period during active procurements.	No.	Not expressly addressed	Add
Policy Review Cycle. Every three years.	Yes	See §705.18, which calls for an annual or “as needed” review	Enhance

While LACERA’s Policy addresses some of the recommended elements, it is not as comprehensive as needed in some areas, and it also contains a significant amount of procedural detail. A major revision to the Policy is needed, along with separating out administrative detail into its own procedural document, in order to move toward a principles-based policy format.

Importantly, we compared LACERA’s procedures at a high level to those shared with us by some peers. While the procedural elements in LACERA’s Policy are materially complete in their scope and not significantly different from that of peers, they ought to support the Boards’ principles and beliefs around travel. For example, if the Boards’ preference is to emphasize through its principles, the concept of cost sensitivity, then mechanisms to implement that concept, such as requiring that airfare is booked a certain number of days in advance, and restricting the use of business class travel, should be incorporated into the procedures. It is important for the Boards to come together to build a consensus view on their beliefs and philosophies on the purpose of travel in order for LACERA to develop an appropriate principles-based policy and appropriately align procedures.

c. Travel Practices Comparison

Types of Travel

Beyond continuing education, the majority of U.S. peers surveyed reported that their trustees travel for similar reasons as LACERA, including non-educational events.⁴⁶ While a minority of peers noted that also similar to LACERA, their trustees travel to testify before their legislature or Congress and meet with board consultants; no U.S. peers reported that their trustees travel to meet with external investment managers without investment staff. This is likely because many of the peers have delegated the implementation decision to select and terminate investment managers to their professional investment staff; therefore, it is the staff's role to meet with investment managers and not the board's.

International peers have different practices around travel, particularly those with multiple foreign office locations. However, their expectation, which aligns with the norm among U.S. peers, is that fund managers will travel to them and provide education at their board meetings. One Canadian fund board director indicated that their board members travel once per year to one of the foreign office locations for the purpose of meeting with the senior management teams there.⁴⁷

We understand through the interview process that LACERA Trustees are divided on this issue. Some Trustees believe that travel to meet with investment managers without staff present is part of fulfilling their oversight duty. Other Trustees questioned the value of such an exercise and believe that it treads on the staff's role. The Boards should come to an agreement on what the appropriate role of the Board is. Doing so will inform how travel is conducted in support of it. We address this concept in more depth in Section III of this Report, where we discuss the role of the boards as governing bodies.

While some peer system trustees might, on a one-time basis through the onboarding process, attend staff's due diligence meeting with an investment manager, it is for the purpose of education about the system and how it works and not for the purpose of leveraging the trustee's skills and abilities to perform the due diligence or effectuate board oversight. This distinction is important in light of the fact that a board's oversight role includes assessing the staff's performance in implementing board policy. As such, a board needs to ensure that it maintains sufficient independence from the investment process. A board must not inadvertently put itself in a position where its objectivity in assessing staff's performance in selecting and monitoring investment opportunities and investment managers is impaired due to the participation of trustees in the due diligence and continued manager oversight process. There is an important line to be maintained between setting and overseeing policy and implementing policy. Setting and overseeing policy is the role of the board. Implementing policy is the role of staff. In short, we recommend that LACERA Trustees cease meeting with investment managers outside of opportunities presented through Board or Committees meetings (Recommendation 2.16).

⁴⁶ Non-educational events include serving as leadership for a relevant external committee, serving as an expert/panelist representing the system, meeting with legislators/policymakers, meeting with constituent and stakeholder groups.

⁴⁷ They do not visit each location every year and cited the example of missing Hong Kong in 2019 due to the geopolitical risks and riots.

Budgeting Practices

LACERA annually sets an overall budget for Trustee education for each of the Boards as part of the overall administrative budgeting process. The approach includes reviewing the prior years' budgeted amount and rolling it forward with or without a percentage increase. The budget includes funds to support the expenditures in connection with the Boards' annual offsites, Trustee attendance at external conference events, and other non-educational event travel. Historically, peer data has not been provided as a point of reference.

Through the interview process, it was reported to us that there is limited visibility by the Boards into the line items that drive the budgeted amounts. Both Trustees and staff informed us that they believed the overall budgeting process needed improvement. Specific improvements mentioned ranged from the Boards' involvement in the budgeting process to stronger oversight of the actual expenses versus the budget. While the overall LACERA operating budget (including education and travel) is approved by the Boards, it was reported to us through the interviews that the perception is that the Boards are not providing the degree of rigor necessary to set or question the amount of the education and travel budget. It was also reported to us that information regarding the education and travel budgets of peer systems had not been provided to the Boards during the budgeting process.

The most recent annual budgets to support board travel, as reported by peers,⁴⁸ ranged widely from \$25,000 to \$220,000. For LACERA, the most recent budget for the BOR was reported as \$225,500, and for the BOI, it was \$335,500. When taken individually, the BOR budget is only slightly higher than the highest peer, and the BOI outside of the range. The total combined budget of the BOR and BOI is higher than the peer systems that shared their data.⁴⁹

Some peers have adopted a per-Trustee budgeted amount, such as \$10,000 or \$15,000 per year, to place a limit on the educational dollars that the system is willing to invest. Others take a bottom-up approach to identify the educational events that Trustees plan to attend and produce a budgeted amount that is in alignment with that approach.

LACERA has adopted some Policy limits on the number of educational conferences per year that Trustees may attend. These limits have been in place for the duration of the periods we reviewed, and we believe they were intended to serve as a de facto limitation on expenditures. The most recent amendment to the Policy further strengthened the limits.

We recommend that LACERA also adopt a bottom-up approach to establishing the education and travel budget based on individual Trustee development plans and education provided through offsites and regular Board and Committee meetings (Recommendation

⁴⁸ Six of the responding peer systems shared information regarding their budgeting practices.

⁴⁹ We believe there are aspects of LACERA's broader governance structure that play into this disparity, such as board structure, board size, and span of governance. We address this in detail in Section III.

2.17). This would not only accomplish the objective of broadening the Boards' participation in the process but, combined with our prior recommendation⁵⁰ to enhance Board-level reporting, should address the need to monitor actual versus budgeted expenditures. On the whole, we believe these recommendations will result in a thoughtful and defensible process of costs incurred related to education and travel.

Carbon Costs of Travel

Systems in Europe are revisiting travel policies and practices in light of their carbon cost of travel. In coming to a decision to travel or not, they consider not just the financial cost of the trip, but also the carbon cost. This is in part because they are monitoring the carbon footprint of their investments as well as their own operations. Their policies, which have been tightened over the years to take climate change factors into consideration, require them to purchase carbon offsets for all air travel. Other modifications include, for example, expanding the flight time in which economy travel occurs to any trip under 8 hours and reducing memberships at industry organizations. All of this related activity has produced a net result of systems being significantly more selective about travel, and specifically conference-related travel. We recommend that LACERA establish a carbon budget for travel and discuss the role that purchasing carbon offsets may have in future travel policies and practices (Recommendation 2.18).

Section Conclusions

Our review of LACERA's Policy showed a significant imbalance toward travel to fulfill Trustee education. This was underscored when we compared the elements of education and travel in LACERA's Policy against that of peers, highlighting the opportunity for improvement to LACERA's Policy.

We note the good intention of documenting procedures in the Education and Travel Policy. However, it has not protected LACERA or its Trustees from the potential reputational risks that all public retirement systems share relative to trustee travel expenditures. Furthermore, we believe that the layers of prescriptive Policy present a higher risk of noncompliance for LACERA's Boards.

As such, we offer some recommendations to amend the Policy, including that it be separated into an Education Policy and a Travel Policy, and shifted to a higher-level principles-based policy. We believe these changes would capture the Boards' beliefs, thus setting the tone from the top of the organization on expectations related to education and travel. We acknowledge that policies do not drive behavior, and as such, focus the majority of recommendations around the practices which LACERA's Boards ought to consider as they move forward.

⁵⁰ See Section I of this Report.

Section Recommendations

Education Policy

- 2.1. Create a standalone principles-based Board education policy. The Education Policy should be separate from the Travel Policy.**
- 2.2. Remove staff policy provisions from the Boards' Policy and create a separate policy applicable to staff, under the direction and enforcement of the CEO.**
- 2.3. Amend the Policy to incorporate the recommended policy elements (See pages 25-29).**

Education Practices

- 2.4. Establish a curriculum that defines the education and training requirements, including core competencies, specific to the needs of LACERA Trustees and the organization's current and future strategy.**
- 2.5. Require planning practices, such as the use of individual development plans and annual trustee educational self-assessment, to create better alignment and cost-effectiveness.**
- 2.6. Enhance the approval process, including the quality of the data provided to inform the Boards' decisions and the continued effectiveness of the consent agenda.**
- 2.7. Evaluate the pre-approved and monthly up-to-date conferences list and be more selective in the use of those sponsored by for-profit entities.**
- 2.8. Establish an appropriate target for in-house and externally provided education; codify it into policy.**
- 2.9. Upon selection or renewal, where not already expressly stated, require in each Board consultant's contractual scope of work, a requirement for providing Board and individual Trustee educational sessions and implement a process to utilize and enforce the consultant education requirement.**
- 2.10. Refresh, formalize, and stabilize the delivery of a new Trustee orientation; develop a broader Trustee onboarding program in collaboration with staff.**
- 2.11. Adopt post-conference evaluation practices, including required post-conference evaluations, uploading the completed evaluations to the Boards' online portal, sharing conference materials received with the Boards and the CEO.**
- 2.12. Engage in annual trustee education self-assessments.**

Travel Policy

- 2.13. Resolve the discrepancies as noted in the Travel Policy and update accordingly (See pages 40-41).**
- 2.14. Develop a standalone principles-based Board Policy that addresses the recommended elements (See pages 42-45).**
- 2.15. Move the procedural detail, including that related to expense reimbursement, from the Policy to a travel procedures document that is maintained by the CEO.**

Travel Practices

- 2.16. Cease Trustee meetings with investment managers outside of opportunities presented through Board or Committee meetings; direct all manager information and communication flow through the Chief Investment Officer.**
- 2.17. Strengthen the budget-setting and oversight process by adopting a bottom-up approach to establishing the education and travel budget.**
- 2.18. Establish a carbon budget for travel and discuss the role that purchasing carbon offsets may have in future travel policies and practices.**

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III. Governance Factors Contributing to Trustee Education and Travel Practices

Introduction

During the course of our review, we identified broader aspects of LACERA's governance structure and practices that have the potential to impact the cost associated with LACERA's Trustee education and travel practices. These governance structures and practices may also increase the complexity and/or the risk of misalignment of Trustee education with the Boards' responsibilities or the competencies needed to meet organizational needs. These include the following:

- i. Board Structure, Composition, and Size
- ii. Span of Governance
- iii. Governance Decision-Making Model
- iv. Board, Committee, and Trustee Effectiveness

While these areas extend beyond the scope of the Education and Travel Policy, they are important for LACERA to evaluate as they not only impact individual Trustee education but the ability of Trustees to govern effectively as a group. The ability to address some of these governance structures and practices is within the LACERA's control, while the ability to address others is more within the sphere of LACERA's potential influence.

i. Board Structure, Composition, and Size

Assuming each trustee must be educated and properly trained to be an effective fiduciary, and maintain a sufficient level of education and training over time, it is important to evaluate the foundation of the board's purpose, who is being asked to serve, and the number of trustees required to fulfill the board's purpose. Consequently, board structure, composition, and size are directly linked to the type of education that trustees need to prudently perform as fiduciaries and the costs of a trustee education program. Board structure sets the purpose of a board and informs the curriculum of educational content needed to govern effectively. Board composition provides a baseline of the likely background, skills, and experiences of trustees fulfilling the role, the competencies each brings to board service, and insight into education and training that may be needed to align with the board's preferred competencies. Board size impacts the effort and resources expended, including travel costs, to educate and train trustees.

The majority of U.S. public retirement boards have a legal mandate to oversee benefit administration, including retirement, disability, and sometimes healthcare and ancillary benefits, along with investment of the system's assets. While the demands placed upon

large public retirement system boards are numerous,⁵¹ the majority are legally structured to address them with one board.⁵²

In some states, however, oversight of pension administration and investments is bifurcated between two boards with investments managed by a sole trustee of a state agency.⁵³ In these situations, there may be one or more common board members across both boards, but there is a distinct separation between them as legal entities, including that the boards are supported by different staff.

Most large public retirement system boards, having an average of 9 to 11 members, use some type of committee structure made up of a subset of board members to assist in the oversight of certain aspects of the system's functional areas.

LACERA's Board Structure

LACERA operates within the legal framework of the California Constitution⁵⁴ and the County Employees Retirement Law of 1937 ("CERL" or "1937 Act").⁵⁵ The 1937 Act provides for a board of retirement, and if so resolved by the Los Angeles County Board of Supervisors, a board of investments. For purposes of this Report, we refer to this as a "dual-board structure."

LACERA currently has a BOR and a BOI, with among them a total of nine committees, including joint committees. The BOR has three committees, the BOI has four committees, and there are two joint committees as mentioned previously, the Audit Committee and the Joint Organizational Governance Committee ("JOG-C"). The BOR's three committees include the Insurance, Benefits and Legislative Committee; Operations Oversight Committee; and Disability Procedures and Services Committee, a structure set in place by the BOR in 1995. The BOI's four committees include Corporate Governance Committee, Public/Private Equity Committee, Credit and Risk Mitigation Committee, and Real Assets Committee, a structure that was established in 2014. We understand that the BOI reviewed its committee structure in 2019.

It is common for U.S. public retirement systems to organize the work of their boards through committees. Canadian pension funds take a similar approach. Common committees include audit, investments, those addressing finance, budget and compensation matters, benefits and services, appeals, and governance. In evaluating the committee structures of the surveyed peer systems, half of the peers have between four and six committees, with two peers having only one committee, an audit committee.

⁵¹ Boards commonly set actuarial assumptions and methods, investment policy and asset allocation, and appoint the CEO and board consultants.

⁵² See "Overview of Public Pension Plan Governance," National Association of State Retirement Administrators, November 2019.

⁵³ Ibid.

⁵⁴ CA Constitution art XVI § 17.

⁵⁵ California Government Code §§ 31450 – 31897.

LACERA has more committees that operate within a narrower scope than we would expect, especially when compared to peers who perform similar functions with a more streamlined governance structure. The scope of the committees appears to be creating an operational versus governance focus. Based on our interviews, there is a perception that trustees must become experts in specific areas to fulfill their role. Thus, LACERA's governance structure, with a greater number of committees staffed by an overall higher number of Trustees, will likely contribute to higher education costs, including higher travel costs in support of education.

LACERA's Board Composition

LACERA's Boards reflect a mixture of elected, appointed, and ex-officio members. The BOI is composed of nine members. Four members are elected, four of its members are appointed by the Los Angeles County Board of Supervisors. The law requires the County Treasurer and Tax Collector to serve as an ex-officio member. The BOR is composed of nine members with two alternates. Four members plus two alternates are elected, four of its members are appointed by the Los Angeles County Board of Supervisors. Here, too, the County Treasurer and Tax Collector serves as an ex-officio member.

It is generally accepted that the board as a whole must have the proficiency to fulfill its function. In pursuit of this collective body of knowledge and experience, individual trustees are unlikely to and indeed, cannot have or acquire all of the skills required of the board as a whole. As such, the use of a "skills matrix" has emerged as a strategic tool for a board to ensure that its trustees collectively possess all of the needed skills and attributes to carry out effective governance. Its application varies among markets due to differences in public pension system board authority.

Outside of the U.S., public pension system core competencies are identified by trustee appointing bodies. In the case of one European pension fund, the appointing body defines approximately twenty trustee core competencies⁵⁶ in a collaborative process involving the system's regulator. For example, competencies include strategic thinking and the will to act independently. Potential trustees are trained, tested, and vetted relative to these competencies before they even take a seat on the board. While this approach is very different than that here in the U.S., it demonstrates the importance placed on having qualified trustees.

In a similar form, some U.S. public retirement systems have undertaken the process of identifying the competencies needed for their own specific system's board.⁵⁷ Instead of being used for trustee placement, which is outside the board's authority, the skills matrix is

⁵⁶ A competency is the set of demonstrable characteristics, behaviors, and skills that enable, and improve the efficiency and performance of a job. The use of the term varies widely, which has led to considerable misunderstanding.

⁵⁷ Some systems, like LACERA, have legal requirements that also prescribe expertise qualifications for certain individual board seats, such as a background in investments or finance.

instead used for planning and development of trustees. The skills of trustees are mapped against the core competencies to identify any gaps and source education to fill them.

Used in this way, the skills matrix is emerging as a critical tool in evolving the expertise of public retirement system boards because it allows for the board itself to proactively evolve and adapt to the changing needs of the environment in which the system operates.

Through the interview process, we learned that LACERA communicates the expectations of Trustees to those considering candidacy for elected board seats.⁵⁸ This is a commendable practice. However, it does not currently use a skills matrix. We recommend using a skills matrix to better align board educational needs with the education of individual Trustees (Recommendation 3.3). This practice should result in a more focused education of each Trustee, but also an evolution of education over the tenure of the Trustee.

LACERA's Board Size

LACERA's Boards are each squarely within the industry average with the BOR comprised of 11 members and the BOI comprised of 9 members. These numbers include two alternate Trustees for the BOR should there be an absence by certain Trustee seats. The alternates must be informed, educated, and ready to vote at a moment's notice. It has been the practice of the County Treasurer and Tax Collector to appoint a designee to participate and vote on behalf of the office in the event of an absence.

Currently, there are 4 Trustees who serve on both Boards. With the exception of the County Treasurer and Tax Collector, who serves by virtue of the position, there is no legal requirement for overlap. In theory, the County Board of Supervisors could appoint no individuals to sit on both Boards.

Although the size of the BOR and BOI each individually aligns with the average U.S. public pension fund board size, their combined scope aligns with that of other large U.S. public retirement peer systems, which commonly use a one-board model to address a similar scope to LACERA's. This means LACERA must legally educate the Trustees of both Boards, which, combined, is nearly double that of the average of 9 to 11 trustees, and on the larger side of peer systems overall.⁵⁹

By virtue of its structure, LACERA's combined board size has the potential to produce higher than average total trustee education and travel costs. Therefore, it is imperative to periodically monitor overall and per trustee education and travel costs relative to peers to

⁵⁸ See LACERA.com, "Powers and Duties of Retirement Board Members," and "Powers and Duties of Investments Board Members."

⁵⁹ According to the National Association of State Retirement Administrators, public retirement system board size ranges from 5 to 19. See "Overview of Public Pension Governance," NASRA, November 2019.

ensure reasonableness in accordance with fiduciary responsibilities (Recommendation 3.1).⁶⁰ This can be done every three years in conjunction with the Policy review cycle.

Making comparisons and drawing insights between the education and travel budgets supporting public retirement system boards of trustees can be challenging at best, given the degree of variety among boards. Because LACERA's dual-board structure functions in a way that is unique, parties outside of the organization looking to compare education and travel costs will likely lack the industry context and understanding needed for accurate comparison. Should these parties misinterpret their findings, this not only inflicts reputational risk onto LACERA but requires system resources to correct the misinformation. LACERA should be more proactive in providing appropriate context in its reports to the Board and to the public in order to mitigate this risk (Recommendation 3.2).

ii. **Span of Governance**

A board's span of governance is defined as its primary responsibility and decision-making set. It is important to align trustee education with a board's span of governance, so that new and experienced trustees alike are equipped to understand what decisions they will be making and when, and have confidence in individual board decisions.

Unless otherwise stated in law, the fundamental purpose of a public retirement system board of trustees is to administer the benefits and invest the system's assets for the exclusive benefit of the system's members and beneficiaries. Accordingly, high-performing boards typically focus on the following set of policy-level responsibilities:

- Set strategy by setting organizational goals over both long- and short-term horizons, performance metrics to measure progress against goals, and mission and vision statements to guide the organization in achieving its strategy,
- Select, evaluate, compensate, and plan for the succession of the CEO, and any other of the board's direct reports,
- Select and evaluate the board and committee consultants,
- Monitor the board's performance, health, and effectiveness,
- Set and monitor the risk appetite for the organization, and ensure that an appropriate risk management framework is in place,
- Establish policy to direct, appropriately resource, and monitor organizational results under an appropriate compliance framework and a culture of ethical conduct, and
- Establish policy to direct, appropriately resource, and monitor the overall sustainability and performance of benefit plans (trusts), programs, services, and investments.

These responsibilities roll up into a span of governance across board, organizational, and plan governance matters that are appropriately significant and holistic for a governing body.

⁶⁰ In reviewing the routine reports provided to the Boards to monitor the costs of education and travel, we found limited evidence of comparative peer data.

The board’s “job” at a high policy level is to focus on governance, strategy, organizational risk, and compliance. While there are differences in the degree of legal authority that public retirement systems have in which to accomplish their span of governance, the fundamental fiduciary framework is shared. Figure 2 visually depicts the span of a modern public retirement system board’s decisions.

Figure 2. Public Retirement System Board Span of Governance



It is essential that trustees have an awareness of what they are called into board service to do and how they must go about doing it within the contours of the legal structure they operate within. They must know where their span of governance starts and ends, how their board is organized to address it, the line between governance and management, and if there are shared areas of responsibility with management, what those are, and how they will be effectively addressed with the line of accountability appropriately assigned. Moreover, the span of governance should be directly linked to the education and development opportunities that are provided to trustees.

LACERA’s Span of Governance

The BOR is responsible for the overall management of the retirement system and the LACERA-administered retiree healthcare benefits program. The BOI is responsible for determining LACERA’s investment objectives, strategies, and policies, as well as exercising authority and control over the investment management of assets. The BOI also invests and manages the Other Post-employment Benefits 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 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 this program.⁶¹

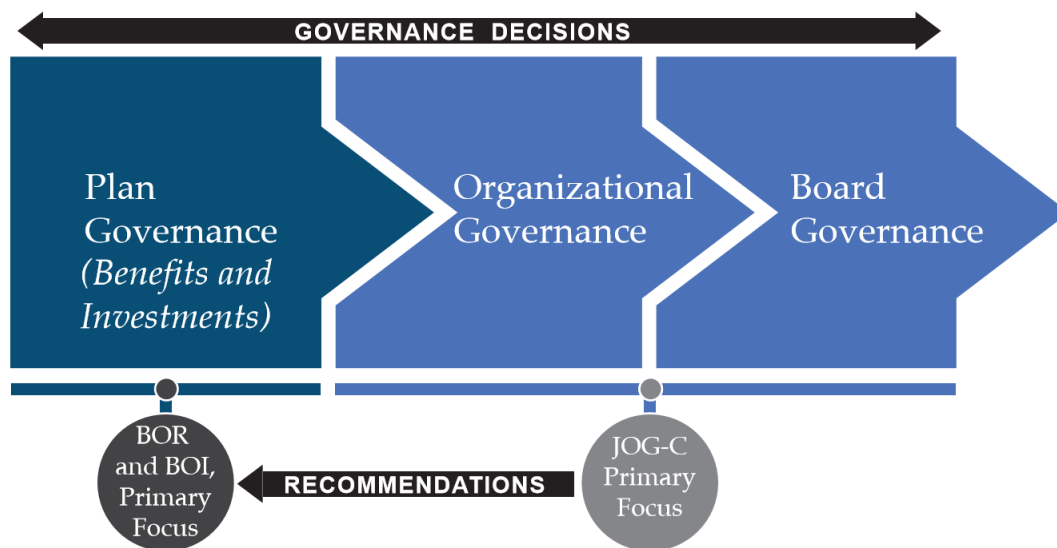
The BOR and BOI have joint authority under CERL over certain shared responsibilities, including classification and compensation of personnel; adoption of LACERA’s administrative budget; the appointment and evaluation of the CEO; and other matters as specified in CERL. The JOG-C was created to serve and facilitate the work of both Boards

⁶¹ JOG-C Charter: <https://www.lacera.com/BoardResourcesWebSite/BoardOrientationPdf/JOGC-Charter.pdf>

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

The Boards are structured by legal mandate in respect of their governance responsibilities, yet the work of the Boards is organized through committees with a tilt toward LACERA's plans, programs, and services. While they jointly share responsibility for organizational governance and board governance matters, many of the most significant governance responsibilities around strategy and budget are addressed by recommendations of the JOG-C as depicted in Figure 3.

Figure 3. LACERA Boards' Practice for Addressing the Span of Governance⁶²



Outside of the JOG-C, the Audit Committee is the only other committee with a scope that, per its charter,⁶³ can reach across the entire span of governance. Its primary function is to monitor operational activities against financial and policy metrics, which is appropriately backward-looking. It is unclear how and through what means the Boards jointly participate in directing strategy, which is forward-looking. We recommend that LACERA evaluate its Board and committee responsibilities to ensure the full span of governance is addressed (Recommendation 3.4). Any resulting findings should be threaded back into Trustee onboarding, continuing education, and development opportunities.

⁶² It is important to note the role of the organization's management and professional staff in supporting a board's governance decision-making model. A board does not operate on its own. Within its role, there are areas where a board leads by directing and making decisions, oversees its delegations and management's decisions, and partners with management to advance initiatives of the system. For purposes of this report, we focus on the board's role and not that of management or professional staff.

⁶³ Per its Charter, the Audit Committee aids the Boards in fulfilling their responsibilities relative to the financial reporting process, the system of internal controls, the audit processes, and the organization's method for monitoring compliance with laws and regulations. This committee also makes recommendations to the Boards and not decisions.

It is our philosophy that all of a board's members should participate to the fullest extent possible in board and organizational governance responsibilities, such as strategic planning, selecting, evaluating, and planning for the succession of the CEO and any other direct board reports, setting and monitoring the risk profile for the entire organization, and monitoring the health and performance of the board.

LACERA has a complicated approach to addressing its span of governance that is challenging to understand, and, as previously mentioned, is overly tilted toward its plans, programs, and services. In the areas where we would expect the Boards to lead, there is a lack of clarity. Some specific evidence includes:

- LACERA has three strategic plans organized by subject – retirement, healthcare, and investments,
- It is uncertain from our review of all Board and Committee charters how the enterprise-wide risk profile and appetite is set and monitored,
- The Boards do not formally monitor their own health, performance, and cultural dynamic through self-evaluation,
- It is unclear how the Boards execute their role of setting the tone at the top and monitoring organizational culture,⁶⁴
- The Boards have not engaged in long-range succession planning for the CEO in alignment with a future vision as expressed through the strategic plan, and it is uncertain through charter review which Board entity would have this area within its scope.⁶⁵

Through the interview process, some Trustees emphasized the importance of the Board embracing its responsibilities in these areas. However, the examples demonstrate the complicated nature of the structure and how the policy-level focus across the entire span of governance is inadvertently diluted. The result is that it is more challenging for the Boards to readily identify where there are gaps that need resolution. This concept was corroborated through the interview process when we asked Board members to identify their most significant Board-level responsibilities. The majority of responses addressed the responsibilities in overseeing LACERA's plans, programs, and services. A small minority of Board members addressed responsibilities spanning the entire scope of governance. This offers telling insights into the degree of the inherent tilt, resulting misalignment in the span of governance caused by LACERA's dual-board structure and why the Boards have organized a shared committee to aid in addressing joint responsibilities.

LACERA should explore which additional governance changes should be made to make the dual-board structure more effective, efficient, and clear (Recommendation 3.5). The Boards and CEO should create one consensus future vision for the organization, its priorities, goals, and success metrics, and maintain one organizational strategic plan (Recommendation 3.8)

⁶⁴ We understand that the Audit Committee has recently commissioned a study of employee engagement.

⁶⁵ The JOG-C charter delineates responsibilities related to conducting a CEO search; this is distinctly different than long-range succession planning.

Additionally, through the interview process, we heard from Trustees about the difficulties of working within this heavily carved approach to addressing LACERA's span of governance. The most frequently cited challenge was knowing where a Trustee's role starts and stops, particularly for new Trustees, what matters the BOR and BOI should respectively involve themselves in, particularly with respect to the selection of the key personnel, and what education and training they should or shouldn't be seeking out as a result. To better aid new Trustees, we recommend amending election packets and documentation provided to the appointing authority to ensure that the span of governance, in light of the dual-board structure, is clearly communicated to those interested in future Board service (Recommendation 3.10). Further, LACERA should ensure the onboarding experience for any new Trustee is appropriately aligned to the full set of responsibilities and strategic plan (Recommendation 3.11). We also recommend that LACERA align Trustee education and training opportunities with the agreed-upon competencies needed to carry out the full span of governance (Recommendation 3.9).

Indeed, the types of education sought align with the narrower focus on plans, programs, and services.⁶⁶ Through the interviews, some Trustees suggested that plan level responsibilities are the most important responsibilities of the Boards and that all other topics were secondary.⁶⁷ This tilt has produced a challenge in mindset which needs to be appropriately reframed. We recommend that LACERA Trustees undertake efforts to reach a consensus view on the span of governance, the responsibilities of the Boards, and how they are fulfilled across the two Boards, the Committees, and the JOG-C (Recommendation 3.7).

Additional examples noted by Trustees of working within the format currently set up to address LACERA's span of governance included a sentiment by some BOR members that they aren't to seek out investment-related education and limitations on international travel for BOR members that do not exist for BOI members. It was reported to us these areas have been a source of tension among the Boards. We believe the refresher training, as well as having clarity into the full set of responsibilities of the Boards, may serve to alleviate the tension.

Further, the JOG-C, which was established in August 2017 with the intention of providing a forum to diffuse these tensions, has experienced challenges from the very start. It was dissolved in January 2018, only to be reinstated in January 2019 when the next change in the leadership of the Boards occurred. While some Board members had confidence that the JOG-C, now reinstated, would serve to alleviate and address some of the issues that the Boards are experiencing, some reported to us a lack of confidence and reservations as to whether it had the support to be sustainable over the long-term. We recommend that

⁶⁶ An analysis of the educational events attended by Trustees in FY 18/19 demonstrated that 70% of the educational conferences were aligned with content regarding benefits or investments matters.

⁶⁷ Some examples included reviewing investment strategies, selecting investment managers, staying current on investment opportunities, overseeing the day-to-day operations of LACERA, and administering retiree healthcare.

LACERA should address and resolve the long-term role with the JOG-C (Recommendation 3.6)

iii. Governance Decision-Making Model

For many U.S. systems, what it means to administer benefits and investment system assets – to carry out their fundamental purpose – looks very different today than it did when they were first created. What decisions the boards make and how they make them – the governance model⁶⁸ – have evolved significantly in several important ways. Since board decisions are inextricably linked to the training and continuing education that trustees need to be effective fiduciaries, it is important to contextualize the causes that are drove the evolution.

First, U.S. public retirement systems have grown dramatically in asset size.⁶⁹ Second, they have experienced increased complexity from an administrative, benefits, and investment perspective. This is particularly true with respect to investments due to the increased use of alternative investments and active management,⁷⁰ but also with respect to the sophisticated technology needed to support and operate all aspects of system operations. Third, the size and specialization of internal public retirement systems staff⁷¹ and the number of consultants that support boards has increased. In fact, today's modern large public retirement systems bear many more similarities to large diversified financial services firms or commercial insurance institutions than they do governmental entities.⁷²

During this same time, the underlying common law fiduciary framework also shifted significantly,⁷³ particularly as it relates to the standard of prudence. Whereas the prior rules limited delegation by boards, the revised framework was interpreted as not only formally permitting delegation within parameters but suggesting that pension trustees have an affirmative duty to delegate if they do not have the training and experience necessary to perform the function themselves.

⁶⁸ The governance model is the different dimensions of the roles and responsibilities of the board, based on the relationship between board members and staff members, which reflect the differences in the size, purpose, and history of the organization.

⁶⁹ The top ten largest statewide plans combined for a total of \$822.9 billion in 2001. By 2018, according to a list compiled by *Pensions & Investments*, the top ten largest statewide plans accounted for a total of \$1.7 trillion, more than doubling since 2001.

⁷⁰ Hughes, Von, "Understanding U.S. Public Pension Plan Delegation of Investment Decision-Making to Internal and External Investment Managers (Part One of Three), *Hedge Fund Law Report*, February 2014.

⁷¹ Hughes, Von, "Understanding U.S. Public Pension Plan Delegation of Investment Decision-Making to Internal and External Investment Managers (Part Two of Three), *Hedge Fund Law Report*, February 2014.

⁷² It is important to note that international public retirement systems have much more uniformity in how the purpose of the board is fulfilled. International public pension system boards are well-established in their role of strategy, policy, risk setting, and oversight, providing for sufficient independence for the board to oversee and judge the effectiveness of implementation.

⁷³ Promulgation of the Restatement (Third) of Trusts.

As a result, the role of the board itself started to shift. Over the past two decades, boards have reevaluated and realigned authority with expertise and board focus with the systems' most significant risks, pressing higher into the policy realm of the governance decision-making model but still within the same contours of their fundamental purpose. There are many different ways in which this occurred, and systems are at different stages in their evolution. This has led to a wide variety of governance decision-making models in play.

At the individual system level, evolution has manifested itself through the replacement or adjustment of some well-established, long-standing decision-making routines in favor of new constructs. For example, decisions once routinely made by a board might now be made by a board committee, CEO, or professional staff. By way of example, public retirement system boards have made the following types of delegations:

- Approval of benefits, including disability benefits, are now made by staff, a committee of staff, or in some cases even outsourced to a third-party benefits administrator,
- Investment decision-making is delegated to internal investment staff,
- Selection of some outside service providers such as information technology providers are delegated to internal technology experts,
- Decisions related to shareholder responsibilities such as proxy voting and litigation are made by internal experts, and
- Human resources decisions, with the exception of those related to the CEO, are delegated to the CEO.

Such change requires considerable discipline, openness, competence, and clarity in the purpose and span of governance. Sometimes it requires legislative efforts to modernize applicable law. It also takes an understanding of the fiduciary constructs applicable when making and monitoring delegations.

Ultimately, the line between governance and management is not only reflected in the work of the board but in the alignment between the competencies needed by trustees and the education sought and provided to them.

LACERA's Governance Decision-Making Model

Through the interview process, LACERA Trustees confirmed a sense of increased complexity in multiple areas of their oversight role. Many also noted the increased pressure and overall scrutiny in serving as a public retirement system trustee. A significant number of Trustees reported to us that they have responded to this shift by intensifying the frequency with which they seek out external education, training, and travel to conduct their own due diligence. They see it as part of their job as a fiduciary. Some were openly skeptical of public retirement system peers who engage in lesser levels of education, training, and personal due diligence.

This sentiment is observable in the results of the peer survey we conducted. Responding U.S. public retirement system peers reported on the average number of hours that their trustees spend annually on education outside of the boardroom. The majority (6 of 10)

peers reported spending between 0 and 20 hours. LACERA's results came in at the highest end of the continuum of practices reported, at over 81 hours spent per year on education outside of the boardroom.

This data is further substantiated by a Board workload analysis⁷⁴ conducted by staff in 2017, which demonstrated that BOI Trustees attended an average of 9.6 conferences that year at 3.2 days per conference, and BOR Trustees attended an average of 4.4 conferences at 4 average days per conference. Assuming an 8-hour day, that equals approximately 245 hours at education conferences for BOI Trustees and approximately 140 hours for BOR Trustees.

U.S. public retirement system peers also reported the average number of hours spent per month by trustees preparing for board meetings. The majority of peers (7 of 10) reported their trustees spend 60 hours or less preparing for board meetings. Here, too, LACERA rated among the highest in peers surveyed with over 80 hours spent on meeting preparation. This data provides another indicator of perceived complexity.

We also evaluated the documentation describing the Trustee time commitment of LACERA's Boards to those considering Board service.⁷⁵ The documentation advises that BOR members "...can expect to spend approximately 120 to 140 hours per month (equivalent to 3 to 3.5 40-hour workweeks) in discharging their duties to LACERA.⁷⁶ Members of the Board of Investments can expect to spend approximately 80 hours per month (equivalent to 2 40-hour workweeks).⁷⁷" These figures are significantly higher than we have experienced in our work with other public retirement systems, both within the U.S. and internationally. They are also significantly higher than the average time spent by the directors of U.S. public companies who, in a recent study, reported an average director time commitment of 245 hours per year.⁷⁸

LACERA's Boards are comprised of both working and retired professionals. Through the interview process, some Trustees expressed a sentiment of feeling underappreciated for their time and efforts. In light of the reported time commitment, this is understandable.

While LACERA Trustees have responded to the complexity through increased education, the Boards have not engaged in a broader discussion of how Trustee education and accompanying travel supports the way in which the organization has evolved, and consequently, LACERA's organizational effectiveness, including where the governance line falls between the Boards and management. Through the interview process, the job of the Boards was found to be largely the same as it was two decades ago. Commentary obtained through Board consultant interviews verified this finding. Some noted that while

⁷⁴ December 4, 2018 Memo from Staff to the ILBC, Attachment 3.

⁷⁵ December 4, 2018 Memo from Staff to the ILBC, including Powers and Duties of Retirement Board Members, Board of Investments Members.

⁷⁶ December 4, 2018 Memo from Staff to the ILBC, including Powers and Duties of Retirement Board Members.

⁷⁷ December 4, 2018 Memo from Staff to the ILBC, including Powers and Duties of Board of Investments Members.

⁷⁸ Although corporate boards operate differently from public pension boards, it can be instructive to compare relevant data. 2016-2017 NACD Public Company Governance Survey, <https://www.nacdonline.org/insights/publications.cfm?ItemNumber=37388>.

other public funds with whom they work had undergone an evaluation and subsequent modernization in the work of the board in the past two decades, LACERA has not yet undertaken similar holistic discussions, but could benefit from doing so. We concur. LACERA should evaluate its governance decision-making model, in light of the organization's evolution, to determine where adjustments are needed to best align expertise and decision-making (Recommendation 3.12).

iv. Board, Committee, and Trustee Effectiveness

Board, committee, and individual trustee self-evaluations are a recognized best board governance best practice⁷⁹ and a key ingredient to an effective, efficient, and dynamic board in today's modern business environment. The self-evaluation has much in common with the board's duty to evaluate executive performance in that both are mandatory for good governance, and they are both ongoing instead of sporadic or infrequent.⁸⁰

Corporations have recognized the importance of embracing self-evaluations as part of a broader continuous improvement strategy. While the same can be said generally for U.S. public retirement system boards, most open meetings laws that they are subject to provide that such a discussion must be held in open session. For some boards, this equates to visiting a personal therapist to honestly and meaningfully discuss conflicts and challenges while being filmed in a live broadcast.

Within the industry, there is a perception that open session self-evaluations are not an effective use of board time, and as a result, many public fund boards have put off or not engaged in any type of board, committee, or individual trustee self-evaluation at all. Since culture begins and ends with the board, this is not only detrimental to trustees and the organizations they oversee, but more importantly, to the right of the systems' members and beneficiaries to have a well-functioning and efficient governing board. Self-evaluations also play a role in addressing board evolution when needed, board values, and trustee competencies and skills needed to be effective in the future.

LACERA's Board, Committee, and Trustee Effectiveness

Through the interview process, we learned from both Board members and staff that there is a common understanding of the value that Board, Committee, and individual Trustee self-evaluations bring. It was reported to us that the Boards are reluctant, however, to agendaize open session self-evaluation discussions. We noted strong support for the discussion to the extent it could be held in closed session. While this reluctance is understandable, the lack of such discussions has enabled unhealthy tensions to develop and impact productivity and relationships among the Boards, between the Boards and their Committees, and between

⁷⁹ <https://corpgov.law.harvard.edu/2018/05/18/board-performance-evaluations-that-add-value/>

⁸⁰ Carver, John, *Boards That Make a Difference: A New Design for Leadership in Nonprofit and Public Organizations* Third Edition, 2006.

the Boards and staff. It has also inhibited the Trustees' ability to discuss and attain consensus on the effectiveness of the educational opportunities they are seeking and receiving.

Some Board members noted that during a prior BOI educational offsite, informal comments were made by Trustees in open session about the Board's operations and functioning, its cultural dynamic and values, and the need to timely address matters perceived as conflicts to revert them back to being healthy tensions. The commenter noted that the informal discussion was valuable and ought to be raised again. Staff reported that it is seeking solutions to help the Boards formally address this need.

Through our peer survey, the majority (70%) of peers reported that they conduct an annual self-evaluation. Based on our first-hand experience in supporting and facilitating public retirement system board self-evaluations, and our knowledge of the practices of many different public fund boards, there are a variety of ways in which self-evaluations are agendized. Some are conducted in open session at a board educational offsite or retreat. Other systems have connected their self-evaluation discussion as an integral and inseparable part of their CEO/Executive Director performance evaluation process⁸¹ and therefore classify it as a personnel matter exempt from open session discussion. Still, others have successfully sought an exemption to their applicable open meetings law to discuss matters of board operations in closed session. This demonstrates that there are various avenues open to LACERA to explore the opportunity to reflect and improve upon overall Board, Committee, and Trustee effectiveness.

We recommend that LACERA adopt a formal practice of Board, Committee, and individual Trustee self-evaluation, tailoring the practice to align with the Boards' comfort level (Recommendation 3.13). In addition, LACERA should seek solutions to create an environment conducive to ongoing, comprehensive Board, Committee, and individual Trustee self-evaluations (Recommendation 3.14). These evaluation processes will provide the Boards with the opportunity to identify issues identified throughout this report, such as the cultural issues, and discuss what changes ought to be made at the Board level in order to shift perceptions.

Section Conclusions

We have presented the ways in which LACERA's governance structures and practices differ from peers, align with peers, and may impact Trustee education and travel practices as well as overall Board effectiveness.

⁸¹ This approach reflects the fact that a primary topic of discussion within a typical self-evaluation is board operations (e.g., agenda development and construction, meeting format, sufficiency of meeting materials, access to staff and consultants, etc.), which typically results in direction that requires follow up by the CEO/Executive Director.

While we agree with the sentiment voiced by some Trustees that LACERA is unique, this is true of all organizations. As such, this perception should not hinder the Boards and Trustees from evaluating their own performance in the context of the evolution of the organization and how their governance practices can best support further evolution. Self-reflection and self-evaluation will assist the Boards in exploring how to work more effectively and efficiently within their mandated organizational constructs. This is particularly true, because, as the Trustees well know, their Boards have to work harder than other public retirement system boards to ensure that the full span of governance is effectively addressed, not in the least because of their structurally supported strong alignment with LACERA's plans, programs, and services.

Many of the Trustees acknowledged that the circumstances LACERA finds itself in today are different than they were two decades ago. As a result, the Boards should have greater clarity about the current governance decision-making model and why they are doing what they are doing. And in doing so, identify and gain consensus around the type of evolution that the organization has experienced, what the job of the Boards are now as a result, and develop a set of principles to help the Boards move forward where it is within their authority to do so.

Ultimately, the Boards should have their own job and work products. Management, which has also grown in size, staff expertise, and sophistication over the years, should have its own job and work products. The two jobs should be distinctly different yet ought to work hand in glove. Experts have cited that making decisions that staff should be making trivializes the board's job, disempowers staff and interferes with their work, and reduces the degree to which the CEO can be held accountable for outcomes.⁸² We concur.

Within a consensus set of principles, Trustees need to draw the line between what they can reasonably be expected to know and when and where to gather advice and expertise from experts, particularly as staff size, staff professionalism, and organizational complexity grows. Effective delegation has become and will continue to be an important feature of good governance and a key element of the long-term evolution within the U.S. pension system.⁸³ As the Boards' jobs continue to evolve, the education and training sought out by Trustees, and the travel conducted in support of it should move in lockstep.

Section Recommendations

Board Structure, Composition, and Size

3.1. The Boards should periodically review the costs of their education and travel to similar peers to be aware of where they stand within the

⁸² Ibid.

⁸³ Hughes, Von, "Understanding U.S. Public Pension Plan Delegation of Investment Decision-Making to Internal and External Investment Managers (Part Two of Three), *Hedge Fund Law Report*, February 2014.

community of practice, and to ensure that their costs are reasonable and prudent.

- 3.2. Modify the reports provided to the Boards and the public to set better context about LACERA's Board size and legal education requirements.
- 3.3. Develop a skills matrix for use in Board and Trustee education and development.

Span of Governance

- 3.4. Evaluate LACERA's Committee responsibilities to ensure the full span of governance is appropriately addressed.
- 3.5. Explore additional governance changes to make the dual-board structure more effective, efficient, and clear.
- 3.6. Develop a clear-long-term understanding as to the role of the JOG-C.
- 3.7. Attain a consensus view on LACERA's span of governance, the responsibilities of the Boards, and how they are fulfilled across the two Boards, the Committees, and the JOG-C.
- 3.8. Create one future vision for the organization, its priorities, goals, and success metrics, and maintain one organizational strategic plan.
- 3.9. Align Trustee education and training opportunities with the competencies needed to carry out the full span of governance and the LACERA strategic plan.
- 3.10. Amend election packets and documentation provided to the appointing authority to ensure that the span of governance, in light of the dual-board structure, is clearly communicated to those interested in future Board service.
- 3.11. Ensure the onboarding experience for any new Trustee is appropriately aligned to the full set of responsibilities and strategic plan.

Governance Decision-Making Model

- 3.12. Evaluate LACERA's governance decision-making model, in light of the organization's evolution, to determine where adjustments are needed to best align expertise and decision-making.

Board, Committee, and Trustee Effectiveness

- 3.13. Adopt a formal practice of Board, Committee, and individual Trustee self-evaluation, tailoring the practice to align with the Boards' comfort level.
- 3.14. Seek solutions to create an environment conducive to ongoing, comprehensive Board, Committee, and individual Trustee self-evaluations.

IV. A Path Forward

Throughout this Report, we have made recommendations for governance changes within each individual section of our review, starting with how travel expenses are processed and reported, how LACERA's Policy and Practices can be amended, and how its broader governance structure and practices can be better aligned in support of the organizational mission. The common thread linking each section is that Trustee education and any travel conducted in support of it should be synchronized around a cohesive framework of Board consensus direction and principles.

In this final section, we demonstrate how the individual recommendations, while valuable on their own, can work together in alignment to form a cohesive framework of effective governance. We believe this will be useful for LACERA as it looks forward, particularly as the Boards prepare to collaborate with staff in the strategic planning process.

Linking to a Future Vision of Success

All of LACERA's decisions, whether they are made by the Board or by staff or pertain to education and travel, or other topics, should individually and collectively align with a future vision for the organization as reflected in an organizational strategic plan. The following provides an example of what visioning for LACERA might look like or include:

In the year 2025...⁸⁴

- LACERA has membership satisfaction survey results in the top percentile of all U.S. public pension systems.
- When Board Trustees or staff encounter LACERA members or beneficiaries, the members share their immense satisfaction at being members of LACERA.
- LACERA is an employer of choice among new recruits and experienced employees alike. Its staff are sought-after experts, industry leaders, and influencers.
- Staff are proud to work at LACERA; employee engagement surveys consistently yield high levels of satisfaction, and employees freely promote LACERA as a great place to work.
- LACERA Trustees govern together as a tight-knit professional team, model the spirit of public service, and are highly respected for the culture they promulgate and oversee at LACERA.

⁸⁴ Example based on the visioning conducted by an international pension fund.

- Case studies are written about LACERA, and other U.S and international pension systems travel to Pasadena to see how it operates.

There is no reason that LACERA in 2020 can't achieve some or all elements of this vision, or something similar to it, for LACERA in 2025 or sooner. However, a consensus starting point is needed from the Boards that takes stock of where the organization is currently, and what kind of organization they are governing toward. This includes answering questions such as:

- What kind of board governance do the Boards today want to be known for in 5, 10, or 15 years?
- What kind of organizational governance do the Boards today want to set in motion so that their vision lives on?

While this may seem on its face to be a distant line of inquiry from the topics of education and travel, it is connected. In fact, progressive pension funds would view having such a vision for the future as a requirement for moving forward with evaluating education and travel practices or any other important governance practices. They believe this is so important to their performance and organizational health that they have intentionally developed an organizational competency in long-range planning practices. Planning brings their organization together under a common set of goals to produce value and mitigate risk on behalf of their members and beneficiaries.

While it may not be observable to from an external lens, long-range planning, and their board's leadership role in it, has become a key competitive advantage for progressive peers. It is embedded within their cultural DNA. The net result is the alignment of resources and efforts with the long-range strategic direction in a way that guides every decision made, from the board all the way through to the newest staff member.

Clarity around the culture they set, the division of responsibilities between the board and management, and ensuring authority along with accountability, are all part of the framework of core governance functions which are understood, practiced, and supported by internal infrastructure, including their governance documentation. This proper planning also helps the organizations identify the early signals of situations that could increase reputational risk far before they materialize.

Figure 4 depicts what governance alignment at LACERA could look like, specifically for the practices of Trustee education and travel, and how the recommendations in this Report, when brought together holistically, can support the Boards as they embrace their leadership role through planning and achieving their unified vision for LACERA's next chapter.

Figure 4. Snapshot of Education and Travel Practices within an Aligned Governance Environment



The Boards address the biggest questions first regarding LACERA's future vision, its mission, values, strategies, and definition of success (desired outcomes). Formulating these foundational elements is a matter of collaboration between the Boards and their CEO and management staff. The latter group provides information, insights, and recommendations as the Boards' internal experts, and the Boards engage in healthy deliberation to set and approve the direction. The outcomes of this exercise are documented in an organizational strategic plan.

Once the foundation is set, the Boards can move on to address specific topics within the Board's span of governance, such as Board education and travel. The Charters and Policies are vehicles to capture the parameters defined by the Boards, as anchored or nested within the broader direction. Included in any specific policy are the Boards' consensus principles and beliefs – the fundamental set of expectations shared by the Boards pertaining to that topic. While the CEO, management staff, and the Boards' consultants may contribute to the process by providing peer data, industry and organizational insights, and recommendations, it is the job of the Boards to set policy.

Each policy topic – including education and travel - comprises an array of underlying issues, some of which are significant in scope and impact and others that are important but singular and/or transactional in nature. There is shared responsibility between the Board and CEO because all issues cannot and should not rise to the level of policy. It is important for the Boards to attain consensus on the issues they will opine on as policy matters and those that are to be made by the CEO and management staff in alignment with the Boards' foundational framework and beliefs.

Planning, execution, and performance assessment practices are then put into place to support the Boards' ability to properly fulfill and comply with its policy and principles and the CEO and management staff's ability to implement them through standards, procedures, processes, and technology. Accountability mechanisms are established for the Boards as well as the CEO and management staff to support a culture that values continuous improvement in alignment with the mission and a long-range consensus view.

What is important is that all policies that live in the organization are in harmony with the broader policies delineated by the Boards. Assurance as to whether management's actions appropriately comply with the Boards' policies and principles are provided through internal audit.

Section Conclusions

Opportunities exist for LACERA to improve broader governance practices, which will, in turn, result in better alignment with education and travel practices. Taking a holistic approach, such as that depicted within this Report, achieves the following objectives:

- Couches Board and staff education and travel within a cohesive framework of Board vision, principles, and appropriate checks and balances,
- Ties education and travel to a narrative that contextualizes how the Boards have chosen to govern, the various strategic decisions chosen for LACERA's future, and the Board and organizational competencies that are being developed to achieve it,
- Provides the Boards with a pathway to account for its own actions and pave the way to evolve unproductive cultural perceptions that exist today into a productive organizational asset,
- Firmly grounds LACERA within standards of prudence; thereby reducing the risk of negative outcomes from the scrutiny of individual education and related travel practices; and
- Positions LACERA as a leader among peers.

Section Recommendations

No additional recommendations.



Attachment E
June 2019 Internal Audit Report



June 20, 2019

TO: 2019 Audit Committee
Joseph Kelly, Chair
Gina Sanchez, Vice Chair
Herman Santos, Secretary
Alan Bernstein
Shawn Kehoe
Les Robbins

Audit Committee Consultant
Rick Wentzel

FROM: Richard Bendall 
Chief Audit Executive
Christina Logan 
Senior Internal Auditor

FOR: July 11, 2019 Audit Committee Meeting

SUBJECT: **Board and Staff Education & Travel Audit**

RECOMMENDATION

In accordance with your current Audit Committee Charter, staff recommends that the Audit Committee review and discuss the following engagement report to take the following action(s):

- 1. accept and file report and/or,**
- 2. instruct staff to forward report to Boards or Committees and/or,**
- 3. provide further instruction to staff.**

ENGAGEMENT REPORTS

- a. Board and Staff Education & Travel Audit
Christina Logan, Senior Internal Auditor
(Report issued: June 20, 2019)

Please note: attached to the report is another version of the report that includes questions and comments that staff received from your Committee as well as Internal Audit's responses.

Attachments



LACERA INTERNAL AUDIT DIVISION

**Board and Staff
Education & Travel Audit**

June 20, 2019

AUDIT PERFORMED BY:
Christina Logan, CPA, CFE
Senior Internal Auditor

EXECUTIVE SUMMARY

LACERA incurs education and travel expenditures to ensure Board members and staff are properly educated in monitoring the administration and investments of the Trust, and advocating positions that protect and further the interests of the Trust. LACERA has an Education and Travel Policy (Policy), which the Boards last updated in March 2017, to facilitate Boards and staff in balancing their fiduciary responsibilities to be knowledgeable advocates and to be fiscally prudent with the Trust's funds.

We completed this audit as part of the Fiscal Year (FY) 2019 (July 2018 – June 2019) Audit Plan. Internal Audit periodically performs a compliance audit of the Policy to address the operational risks associated with travel. We last audited Board and staff education and travel expenditures in FY 2016.

In determining the scope of the audit, we considered the following:

- The Boards' education travel expenditures had increased, while staff's education travel expenditures had decreased, over the last three fiscal years.

Fiscal Year	Board education travel expenditures	Change over base year (FY 2016)	Staff education travel expenditures	Change over base year (FY 2016)
2016	\$269,861	-	\$497,918	-
2017	\$303,320	11% increase	\$433,349	13% decrease
2018	\$403,267	49% increase	\$381,671	23% decrease

- The Boards' budget for all travel and education was \$411,000 in FY 2018. The budget rose to \$529,000 for FY 2019 and to \$569,000 for FY 2020 (a 38% increase over 2 years).
- Peer public pension fund board education travel was more limited in frequency and costs than LACERA's Board education travel.
- A public data request for the Board of Investments' travel was made in August 2018.

To address the above risks and to assess if internal controls related to Board and staff education and travel expenditures are effective in mitigating the associated risks of fraud, operational, compliance, and reputational risk, we included the following objectives in our audit:

Section 1: Compliance with the Policy

Section 2: Review of the effectiveness and adequacy of the Policy

We observed that Board and staff were generally compliant with the Policy although we identified areas that could be improved through better communication by key stakeholders, more complete travel files, and updates and/or revisions to the Policy. However, we also

identified that the Policy allowed for a broad array of practices that are not effective in controlling costs. Some examples include but are not limited to the following:

- Individual Board members incurred annual travel costs ranging from less than \$1,000 to more than \$55,000
- Individual Board members purchased airfare as high as \$12,500 for a single international trip
- Individual Board members attending anywhere from one to 16 educational events (local and non-local) per year

Our survey of peer public pension plans both within California and throughout the United States supported our concern that LACERA is a significant outlier in costs incurred for Board educational (non-administrative) travel. Most notably, LACERA incurred significantly higher costs for Board educational travel in FY 2018 than either CALPERS, a \$350 Billion fund as of June 2018, or CALSTRS, a \$226.1 Billion fund as of May 2019. We found that these two funds were the most supportive of Board education and travel, including some international travel, among the funds in the peer group. Based on the data provided to us, we did not identify any peer funds in the survey that exceeded either CALPERS or CALSTRS in expenditures for board educational travel.

Overall, we found opportunities for LACERA Boards and management to achieve a Policy with more effective measures of education and training while minimizing costs. We observed that the Policy could be more effective and better aligned with published best practices and peer pension funds by focusing on an organization-wide educational strategy.

See the following table on the next page for a summary of the issues and recommendations identified during the audit.

Summary of Issues and Recommendations

Page(s)	Issues	Recommendations
Section 1: Compliance with the Policy		
A. Assessment of travelers and FASD's review process		
10 – 13	Compliance Exceptions	<ol style="list-style-type: none"> 1. FASD management should assess the need to obtain missing documentation and/or recover amounts from travelers for noncompliant transactions that were identified during the audit. 2. FASD management should ensure that its staff consistently enforces the Policy and escalates to FASD management any areas of the Policy requiring interpretation or clarification. 3. Management should periodically provide training to the Boards and staff on the Policy to ensure travelers and approvers are aware and compliant with the Policy requirements. 4. To improve the effectiveness and efficiency and to consistently enforce the review process, FASD, the Legal Office, and the Executive Office should meet periodically to determine a joint understanding of the Policy, how to address and document when questionable charges occur, and if updates or revisions should be suggested to the Boards. 5. To be consistent with the section "Authorized Expenses" (705.02) of the Policy, that expenses should be "reasonable and necessary," Boards and management should: <ol style="list-style-type: none"> a. Revise the Policy to reflect current economical transportation services, like public transportation, taxis, or ride-share services. The Policy should still require the traveler to provide written justification if an upgraded ground transportation service is used. b. Update the Policy to address if and when the use of an executive car service is acceptable.
14	FASD does not have complete files for each travel event	<ol style="list-style-type: none"> 6. To improve the effectiveness and efficiency of FASD's review process, FASD should: <ol style="list-style-type: none"> a. Provide instructions for the Travel Expense Voucher (payment request), so travelers can provide a complete travel file. b. Work with the Systems Division and the Executive Office to explore solutions that would allow travelers to upload and allocate travel receipts, and that would allow FASD to review and store complete travel files in a central location.
B. Completeness and accuracy of Monthly and Quarterly Travel Reports		
15	Accuracy of Quarterly Travel Reports	<ol style="list-style-type: none"> 7. To improve the accuracy of the Quarterly Travel Reports, FASD should: <ol style="list-style-type: none"> a. Ensure all members of FASD's Disbursements Unit are adequately trained and supervised. b. Instruct travelers on providing a complete travel file, and work with the Systems Division and the Executive Office to explore having traveler's upload and allocate travel receipts to a central location
16 – 17	Administrative travel is not clearly addressed in the current Policy	<ol style="list-style-type: none"> 8. To strengthen the Policy, the Boards and management should revise the Policy to better clarify "Administrative Travel," to define controls regarding when administrative travel is authorized, if there is a limit to administrative travel, and how administrative travel should be categorized for Board members.
17 – 18	"Local Educational Conferences" per the Policy are difficult to categorize	<ol style="list-style-type: none"> 9. To ensure conferences are consistently and accurately categorized, conference limitations are applied, and to assist Board members in planning their educational conferences, Boards and management should revise the Policy to provide a standardized definition of "local educational conferences" - for example, limiting local education to Los Angeles County, Southern California, or a set distance from LACERA.

Summary Continued

Summary of Issues and Recommendations (continued)

Page(s)	Issues	Recommendations
Section 2: Review of the Effectiveness and Adequacy of the Policy		
21 -23	The Policy does not have an organizational-wide educational strategy	10. To improve the effectiveness and adequacy of the Policy, Boards and management should: <ol style="list-style-type: none"> a. Review the Clapman report’s educational policy for a template of best practices. b. Consider adopting an organizational-wide educational strategy and incorporating the “Trustee (Fiduciary) Knowledge Self-Assessment.” c. Consider working with LACERA’s Training Coordinator to develop a process to create a stakeholder’s educational plan, monitor the broader educational needs of the Board for in-house training opportunities, and review and evaluate educational conferences.
23 – 24	Board airfare has increased substantially	11. To reduce LACERA’s total airfare costs and the high exposure to headline risk, Boards and management should: <ol style="list-style-type: none"> a. Re-evaluate the use of business class airfare. b. Evaluate stronger enforcement of prudent procurement practices, including prohibiting the purchase of refundable tickets.

See Results Section of the report for Management’s Responses.

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INTRODUCTION

The Board of Retirement, Board of Investments, and designated staff have a fiduciary duty to obtain education about public pension administration and investments, to monitor the administration and investments of the Trust, and to advocate positions that protect and further the interests of the Trust. LACERA has an Education and Travel Policy (Policy), which was last updated in March 2017, to facilitate the Boards and staff in executing this fiduciary duty and to ensure LACERA's funds are used in a manner consistent with LACERA's overall mission. Authorized education and travel expenses include, but are not limited to, expenses related to the attendance at industry conferences and various educational and training seminars, legislative meetings, and on-site due diligence visits for existing and potential service providers.

We completed this audit as part of the Fiscal Year (FY) 2019 (July 2018 – June 2019) Audit Plan. Internal Audit periodically performs a compliance audit of the Policy to address the operational risks associated with travel. We last audited Board and staff education and travel expenditures in FY 2016. For this audit, we reviewed FY 2018 (July 2017-June 2018) education and travel expenditures:

Category of Travel Events	Boards	Staff
Education	\$403,267	\$381,671
Administrative	<u>\$23,153</u>	<u>\$227,409</u>
Total	\$426,420	\$609,080

BACKGROUND

Pre-Travel Authorization

Board members are pre-approved to attend conferences listed on Attachment C of the Policy, and local conferences that have a registration fee less than \$500 and no common carrier travel or lodging. However, Board members must seek Board approval to attend conferences not included on Attachment C or any international conferences. Staff members must obtain approval from the Chief Executive Officer (CEO) for education and travel. Once travel has been authorized, Financial & Accounting Services Division (FASD) will create an event number in the Travel Manager program to record the event name, official travel dates, location, and travelers. FASD then assigns staff the event number so all related expenditures can be allocated correctly.

Travel Arrangements

Board and staff are encouraged to make travel arrangements as far in advance as possible to take advantage of early bird registrations, conference room rates, and lower airfares. Executive Board Assistants (Assistants) and Division Managers generally use their LACERA corporate credit card to pay for conference registration, lodging, and airfare. FASD requires corporate cardholders to provide receipts and allocate these expenditures to the correct event number. Managers review and approve the purchases on a monthly basis. FASD then reconciles the monthly corporate credit card statements against the receipts and researches any discrepancies or missing documentation.

Reimbursements

Generally, travelers request reimbursement for expenses incurred while traveling such as meals, mileage, parking, and airline baggage fees. Individuals are required to submit a Reimbursement Expense Voucher (Expense Voucher) within 90 days of completing the travel, or 30 days after the fiscal year-end, whichever occurs first. For Board members, the Assistants will review the Expense Vouchers for general compliance and then the CEO will approve them. For staff, division managers review and approve the Expense Vouchers. Approved Expense Vouchers are then routed to FASD for an additional review, approval, and processing.

FASD's Review

FASD is responsible for reviewing the Expense Vouchers and monthly corporate card receipts to ensure the expenditures are consistent with the Policy. FASD reviews the receipts provided to ensure date, times, and amounts are consistent with the corresponding conference and travel agendas. FASD also recalculates the mileage amount, ensures the per diem is calculated based on the correct General Services Administration rate and Meal & Incidental Breakdown, and allocates expenses that are shared between travelers (e.g., a shared meal or a shared taxi ride) to the appropriate divisions. If FASD has questions or needs additional documentation, they email either the Assistants or staff.

Travel Reports

On a monthly basis, FASD prepares the Monthly Education and Travel Expenditures Report (Travel Report), which details the completed, anticipated, and canceled education and travel for Board and staff for the fiscal year. This report does not reflect costs. On a quarterly basis, FASD prepares the Quarterly Travel Report, which details the education and travel expenditures paid / reimbursed by LACERA for Board and staff. These reports are distributed monthly and quarterly to Board and staff.

Since the Policy limits Board members to 8 (or 12 if on both Boards) conferences but does not limit the number of local educational conferences per fiscal year (Section 705.07), FASD categorizes the Travel Reports for Board travel as:

- "A" - Pre-approved conferences listed on Attachment C of the LACERA Education and Travel Policy and/or Board approved conferences.
- "B" - Administrative conferences and/or local educational conferences that do not require common carrier travel and lodging totaling less than \$1,500.
- "X" - Canceled events for which expenses have been incurred.

AUDIT OBJECTIVES & METHODOLGY

The audit objectives were to assess if internal controls related to Board and staff education and travel expenditures are effective in mitigating the associated risks of fraud, operational, compliance, and reputational risk. Specifically, we reviewed the following:

SECTION 1: Compliance with the Education and Travel Policy

- A. Assessment of travelers and FASD's review process
 - Reviewed LACERA's Education and Travel Policy dated March 2017.
 - Sampled Board's and staff's travel to verify the expenditures were compliant with the Policy, accurate, and valid, and reviewed the travel events for fraudulent activity.
 - Sampled payment requests to ensure FASD thoroughly reviewed requests, questioned charges that appeared inconsistent, rejected out of compliance charges, and processed payment requests timely.

- B. Completeness and accuracy of Travel Reports
 - Reviewed the Travel Reports to determine if educational conferences were correctly categorized as local educational conferences, and to ensure the 8/12 conference limitation was applied consistently and accurately to all Board members.
 - Reviewed canceled trips to ensure they were documented in the Travel Reports, individuals who canceled provided valid reasons in a timely manner, and if fees were incurred, they were either pardoned by the Board chair or repaid to the fund.

SECTION 2: Review of the Effectiveness and Adequacy of the Education and Travel Policy

- Reviewed best practice guidance.
- Reviewed peer public pension funds' education and travel policies and travel reports (if available).
- Reviewed current news articles about governmental agencies' travel.
- Discussed Policy, procedures, process, and controls with FASD, the Legal Office, and the Executive Office.

AUDIT SCOPE

The audit scope for compliance testing included Board and staff education and travel expenditures for FY 2018. We tested approximately 10% of Board education and administrative travel, 20 events totaling \$122,435. We tested approximately 10% of staff education and administrative travel, 34 events totaling \$84,863.

The audit scope for the review of the effectiveness and adequacy of the Policy was limited to Board education travel. We limited the scope to Board education travel, after considering the following:

- The Boards' education travel expenditures had increased, while staff's education travel expenditures had decreased, over the last three fiscal years.

Fiscal Year	Board education travel expenditures	Change over base year (FY 2016)	Staff education travel expenditures	Change over base year (FY 2016)
2016	\$269,861	-	\$497,918	-
2017	\$303,320	11% increase	\$433,349	13% decrease
2018	\$403,267	49% increase	\$381,671	23% decrease

- The Boards' budget for all travel and education was \$411,000 in FY 2018. The budget rose to \$529,000 for FY 2019 and to \$569,000 for FY 2020 (a 38% increase over 2 years).
- Peer public pension fund board education travel was more limited in frequency and costs than LACERA's Board education travel.
- A public data request for the Board of Investments' travel was made in August 2018.

RESULTS

We have categorized the results of our audit into two separate and distinct sections. The first section, “**Compliance with the Education and Travel Policy,**” discusses our findings from the test work performed and includes recommendations to strengthen either the Policy or the processes. The second section, “**Review of the effectiveness and adequacy of the Education and Travel Policy,**” presents our findings from researching best practice guidance, peer comparisons, and recent media headlines and includes recommendations to better align with industry practices.

SECTION 1: **COMPLIANCE WITH THE POLICY**

A. ASSESSMENT OF TRAVELERS AND FASD’S REVIEW PROCESS

We tested the selected sample travel events against the Policy and related procedures. See the chart below for a summary of our testing. We concluded travelers were generally compliant with Policy and related procedures, and FASD generally performs a thorough, detailed review of payment requests and credit charges. We did not find any instances of fraud in our testing but did find areas where the Policy and/or related payment processes could be strengthened.

Attribute Tested	Compliance Assessment Good = No exceptions Fair = 1-10% exceptions Weak = more than 10% exceptions
Educational conference or administrative travel was pre-approved	Fair
Educational conference met 5-hour education requirement	Good
Airfare and ancillary costs were consistent with the Policy	Good
Airfare purchased / reimbursed by LACERA was the airfare the travel used	Good
Lodging was consistent with the conference hotel rate and/or 3 times approved government rate for that city for non-conference travel, for a standard room, and consistent with the travel itinerary	Fair
Meal charges were consistent with conference and travel itinerary	Fair
Ground transportation was consistent with the conference and travel itinerary	Weak
Incidentals and miscellaneous charges were reasonable	Good
Mileage charges were accurate and consistent with travel itinerary	Good
Parking charges were consistent with conference and travel itinerary	Good
Reimbursement request was submitted timely	Good
Thorough review – receipts support charge, per diem rates and Meal & Incidental breakdown verified, calculations checked for accuracy, questionable charges resolved.	Fair
Canceled travel included a written valid reason provided by the traveler, and any associated costs over \$50 were pardoned by Board chair	Good

Issue: Compliance Exceptions

- I. A traveler attended an educational conference with only verbal approval from the CEO. When the traveler submitted a payment request for the trip, FASD staff notified the traveler the event had not been created in the Travel Manager because no written approval had been submitted. Subsequently, the CEO provided written approval for the trip. Although the Education and Travel Policy stipulates, "The CEO, or designee, shall approve staff education and travel," the expectation is for staff to receive written approval prior to making travel arrangements, from the CEO. The traveler explained the CEO had provided verbal approval, but the traveler did not obtain written approval prior to making or taking the trip. The traveler said it was an oversight and the traveler has not made the mistake again.
- II. A traveler attended an educational conference and stayed for additional personal days. The traveler's additional personal days of lodging were charged to the corporate credit card. Although the Policy does not specifically address personal expenditures, LACERA's Corporate Credit Card Policy (Section 4.2) dated April 2016, which was in effect during this time period, does address personal expenditures. It stated, "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 at any time." When the traveler returned, the traveler immediately reimbursed LACERA for the personal portion of the lodging. The traveler explained the hotel had mistakenly charged all the lodging days to LACERA's card, instead of only charging the conference days. The traveler stated that for upcoming trips the traveler would clarify which cards to use when checking-in to the hotel. Although LACERA was able to recoup the personal portion of hoteling timely, this practice does not comply with the Corporate Credit Card Policy and FASD does not have the resources to track payments owed to LACERA by individual travelers. FASD addressed this issue by providing Corporate Credit Card training to all staff in March 2019.
- III. A traveler attended an educational conference and booked an upgraded room. The Policy (Attachment A: Lodging – A. Room Cost) limits room rates to "a standard class single room rate. We noted a price difference of approximately \$50/night between the two rooms when we priced the hotel for the same month but the following year. The traveler did not provide a written justification for the upgrade and staff did not identify or question the upgrade.
- IV. When a traveler attended an educational conference, he/she reserved a room, which included breakfast not provided with standard room. Although the hotel rate included breakfast, the traveler requested the breakfast per diem for all the travel days. The Policy (Attachment A: Meals) specifically states, "LACERA will not reimburse the traveler for a meal which has been pre-paid by LACERA whether or not the traveler consumed the meal" unless written justification is provided to document if the traveler had either special dietary restriction or had to conduct LACERA business during the meal. The traveler did not provide a written justification for the breakfast per diem. Staff did not question the request justification for the breakfast per diem since the hotel receipt was not included with the

payment request documentation but was instead included with the credit card documentation.

- V. A traveler requested authorization to have LACERA pay for a personal item that was lost while attending an approved conference and the Executive Office approved the expenditure. We noted the Policy does not address payment for personal items lost while traveling for LACERA business but the Executive Office approved the payment, without seeking guidance from either the Legal Office or FASD.
- VI. The current Policy states in section 705.11, "Individuals are expected to use group shuttle service to and from metropolitan destinations...Reimbursement of an alternative mode of transportation will be limited to the cost of the group shuttle service unless otherwise justified." However, our audit disclosed that travelers do not use group shuttle services for ground transportation nor do travelers provide a business justification when using an alternative method. Travelers generally use taxis or ride sharing service for ground transportation needs. Internal Audit noted FASD does not question the use of alternative methods of transportation nor does FASD limit reimbursement to the cost of the group shuttle service as stated in the Policy. Per discussion with staff, FASD did not enforce the Ground Transportation section of the Policy because using alternative transportation methods, instead of group transportation, had become the common and accepted practice. However, this change in practice should have been discussed with the Executive Office and Legal Office, and the Policy should have been revised.

Additionally, we observed some Board members used an executive car service for ground transportation needs. We noted several times the executive car service was used domestically, including for transportation to and from the local airport. The travelers did not provide a business justification for using the executive car service and FASD did not question the charges.

Recommendations:

1. FASD management should assess the need to obtain missing documentation and/or recover amounts from travelers for noncompliant transactions that were identified during the audit.

Management Response

Management concurs with the recommendation. FASD management will have staff review the audit exceptions, and follow-up with travelers to obtain missing documentation and/or recover any amounts owed, as applicable, due to non-compliant transactions. This recommendation is expected to be completed by January 31, 2020.

2. FASD management should ensure that its staff consistently enforces the Policy and escalates to FASD management any areas of the Policy requiring interpretation or clarification.

Management Response

Management concurs with the recommendation. FASD will evaluate a monitoring mechanism to ensure consistent Policy enforcement. In addition, Management re-emphasized to staff the importance of elevating exceptions to the Policy for guidance and resolution. This recommendation is partially implemented and is expected to be completed upon the approval of the revised Policy.

3. Management should periodically provide training to the Boards and staff on the Policy to ensure travelers and approvers are aware and compliant with the Policy requirements.

Management Response

Management concurs with the recommendation. FASD will work with the Executive and Legal Offices to schedule Travel Policy training for the Boards and staff at least annually or when the Policy is revised. This recommendation is expected to be completed by June 30, 2020.

4. To improve the effectiveness and efficiency and to consistently enforce the review process, FASD, the Legal Office, and the Executive Office should meet periodically to determine a joint understanding of the Policy, how to address and document when questionable charges occur, and if updates or revisions should be suggested to the Boards.

Management Response

Management concurs with the recommendation. FASD management will schedule joint meetings with FASD, the Executive and Legal Offices when there are Policy updates. In addition, this core group will convene at least bi-annually to review the Policy and related issues of non-compliance to determine if such issues warrant Board consideration for Policy revision. This recommendation is expected to be completed upon the approval of the revised Policy.

5. To be consistent with the section "Authorized Expenses" (705.02) of the Policy, that expenses should be "reasonable and necessary," Boards and management should:
 - a. Revise the Policy to reflect current economical transportation services, like public transportation, taxis, or ride-share services. The Policy should still require the traveler to provide written justification for using an upgraded ground transportation service if used.
 - b. Update the Policy to address if and when the use of an executive car service is acceptable.

Management Response

Management concurs with this recommendation. Management will bring the issue to the JOGC for further discussion. This recommendation is expected to be completed by January 31, 2020.

Issue: FASD Does Not Have Complete Files for Each Travel Event

During our test work, we noted FASD does not have a complete physical or electronic file for each travel event but instead maintains several platforms of information; a binder with all approved conferences and related agendas, a corporate credit card database, and Great Plains, a financial and accounting software system. Not having a complete file for each travel event decreases the effectiveness of the review process, an operational risk. For example, when a traveler submits a payment request it is generally shortly after returning from the trip. If the payment request includes a per diem for breakfast, even though the traveler's lodging included breakfast, FASD at that time would not have the receipt for lodging. The receipt for lodging would be submitted several weeks later if the lodging was paid using LACERA's corporate credit card. In this scenario, FASD is reviewing the payment request but they do not have a complete understanding of all the expenditures related to the travel event.

Additionally, not having a complete travel file makes it more difficult for FASD to provide accurate numbers on the Travel Reports.

Recommendation

6. To improve the effectiveness and efficiency of FASD's review process, FASD should:
 - a. Provide instructions for the Travel Expense Voucher (payment request), so travelers can provide a complete travel file.

Management Response

Management concurs with the recommendation. FASD will update the Travel Expense Voucher to include clear written instructions for completing the document. This recommendation is expected to be completed by June 30, 2020.

- b. Work with the Systems Division and the Executive Office to explore solutions that would allow travelers to upload and allocate travel receipts, and that would allow FASD to review and store complete travel files in a central location.

Management Response

Management concurs with the recommendation. FASD held preliminary discussions with the Systems Division and the Executive Office to evaluate the feasibility of implementing a travel receipt capture and storage tool. This recommendation is partially implemented and expected to be completed by June 30, 2020.

B. COMPLETENESS AND ACCURACY OF TRAVEL REPORTS

Per our review of FY 2018 Travel Reports, Internal Audit found several areas that could be strengthened to improve the completeness and/or accuracy of the reports.

Issue: Accuracy of Quarterly Travel Reports

We noted several instances where the Quarterly Travel Report did not accurately reflect the travel expenditures for a traveler's trip. Examples of the errors were:

- Registration Fees included registration for the correct event and a future event.
- No airfare recorded since a credit from a previously canceled flight was used.
- Lodging included hotel and associated parking fees.

In addition to the inaccuracies that Internal Audit identified, we learned from discussions with FASD, the Executive Board Assistants, and the Legal Office that the FY 2018 Quarterly Travel Reports were significantly revised for inaccurate reporting of travel expenditures before a public data request was fulfilled. Based on discussions with FASD, many of the inaccuracies in the Reports were caused by having a key member of FASD's Disbursements Unit out of the office for the majority of the year, and not having a complete travel file, as discussed in the prior section.

Recommendation

7. To improve the accuracy of the Quarterly Travel Reports, FASD should:
 - a. Ensure all members of FASD's Disbursements Unit are adequately trained and supervised.

Management Response

Management concurs with the recommendation. FASD management instructed supervisors and staff to review and consistently refer to the current Policy. When changes to the Policy occur, the supervisor will ensure staff are aware of those changes and are adequately trained on such changes. This recommendation is expected to be completed by January 31, 2020.

- b. Instruct travelers on providing a complete travel file, and work with the Systems Division and the Executive Office to explore having traveler's upload and allocate travel receipts to a central location.

Management Response

Management agrees with the recommendation. FASD will provide instructions for complete travel files to travelers. In addition, FASD held preliminary discussions with the Systems Division and the Executive Office to evaluate the feasibility of implementing a travel receipt capture and storage tool. This recommendation is expected to be completed by June 30, 2020.

Issue: Administrative Travel Is Not Clearly Addressed In the Current Policy

During FY 2018, LACERA spent approximately \$23,000 on administrative, non-educational travel for Board members. Board members traveled for administrative purposes to meet with Congress and to execute duties as a SACRS board member. During FY 2018, LACERA spent approximately \$243,000 on administrative travel for staff. The Investment Office’s travel for due diligence reviews made up most of staff’s administrative travel.

On the Travel Reports, staff categorized Board travel as either:

- “A - Pre-approved conferences or conferences not listed in Attachment C of the LACERA Education and Travel Policy” or
- “B - Administrative conferences and/or local educational conferences that do not require common carrier travel and lodging totaling less than \$1,500”

For FY 2018, the Executive Office and FASD categorized the following administrative travel as “B - Administrative conferences and/or local education conferences”:

Travel Date	Conference and Location	Board Members and Total Cost	Approval
Five travel events during FY 2018	SACRS Board Meetings, Sacramento, CA	1 Board member with a total cost of approximately \$5,000	No approval – Staff carried forward the interpretation that attending SACRS Board meetings qualified as administrative travel. In March 2019, the Board of Retirement authorized the travel from July 2014 through 2019 as administrative thus not counting towards the annual conference limits.
May 2018	IFEBP Legislative Update & Federal Engagement - Washington D.C.	3 Board members attended with a total aggregate cost of approximately \$14,000	April 2, 2018 Memo – The Board of Retirement approved the reimbursement of travel costs but does not address how to categorize the travel.

As the current Policy does not clearly address the definition of administrative travel, how administrative meetings should be categorized, or if administrative travel should count towards a Board member’s annual conference limit, staff excluded administrative travel from the annual conference limits. Staff consistently applied this interpretation to all Board members and all Travel Reports have reflected this interpretation since July 2014. However, during our audit, we noted stakeholders were unclear if staff’s interpretation of the Policy was correct. The Policy should be revised to more clearly address “Administrative Travel.”

Recommendation

8. To strengthen the Policy, the Boards and management should revise the Policy to clarify “Administrative Travel” to define controls regarding when administrative travel is authorized, if there is a limit to administrative travel, and how administrative travel should be categorized for Board members.

Management Response

Management concurs with this recommendation. Management will bring the issue to the JOGC for further discussion. This recommendation is expected to be completed by January 31, 2020.

Issue: “Local Educational Conferences” Per the Policy Are Difficult to Categorize

Per the Policy, local educational conferences are conferences where there is no common carrier travel and lodging is under \$1,500, and these conferences should not be counted towards the annual 8/12 conference limit. We observed that it is difficult to categorize which conferences should be considered “local educational conferences”, not subject to the 8/12 limit, as this determination needs to be made for each traveler’s individual travel expenditures.

When we reviewed the 4th Quarter FY 2018 Travel Report, we noted that staff had categorized several trips as “local educational conferences” but these trips included either airfare or lodging was over \$1,500.

If FASD had applied the current Policy definition of local educational conferences, the following conferences should be re-categorized based on each Board members’ travel:

- **Fall SACRS Conference, November 14-17, 2017** – Three Board members flew to San Francisco so for those travelers, the conference should have counted towards the 8/12 educational conference limit. One Board member drove to San Francisco so for that traveler, the conference was correctly categorized as a local educational conference, and not counted toward the educational conference limit.
- **IFEBP Public Employees Benefits Institute, June 25-27, 2018** – One Board member flew to Las Vegas so for that traveler, the conference should have counted towards the 8/12 educational conference limit. One Board member drove to Las Vegas so for that traveler, the conference was correctly categorized a local educational conference, and not counted toward the educational conference limit.
- **Milken Conference, April 29 – May 2, 2018** – One Board member’s lodging for the conference in Los Angeles was over \$1,500 so for that traveler, the conference should have counted towards the 8/12 educational limit. Nine other Board members’ lodging for the conference was under \$1,500 so for those travelers, the conference was correctly categorized as a local educational conference, and not counted toward the educational limit.

Recommendation

9. To ensure conferences are consistently and accurately categorized, conference limitations are applied, and to assist Board members in planning their educational conferences, Boards and management should revise the Policy to provide a standardized definition of “local educational conferences” – for example, limiting these to Los Angeles County, Southern California, or a set distance from LACERA.

Management Response

Management concurs with this recommendation. Management will bring the issue to the JOGC for further discussion. This recommendation is expected to be completed by January 31, 2020.

SECTION 2: REVIEW OF THE EFFECTIVENESS AND ADEQUACY OF THE POLICY

When we evaluated the effectiveness and adequacy of the Education and Travel Policy, Internal Audit recognized Board and staff must balance their fiduciary responsibilities to be knowledgeable advocates and to be fiscally prudent with the Trust's funds. Travel expenditures represent a high-risk area to government entities as travel is scrutinized by the media and there is an expectation that funds are used efficiently, effectively, and transparently. To evaluate our Policy, we reviewed industry best practices, compared other public pension funds' education and travel policies and if available, published travel reports, and recent media articles regarding travel by governmental agencies.

Best Practices

Internal Audit found three relevant published reports regarding best governance practices for public pension funds:

- a. Clapman Peter & Waddell, Christopher. **"Clapman Report 2.0 (Clapman): Model Governance Provisions to Support Pension Fund Best Practice Principles."** *Stanford Institutional Investor's Forum Committee on Fund Governance (SIIF)*. May 2013. <https://law.stanford.edu/event/the-clapman-2-0-report-fulfilling-public-pension-board-fiduciary-duties-through-the-adoption-of-governance-best-practices/>
- b. Regan, Julian. **"Best Governance Practices for Public Retirement Systems."** *National Conference on Public Employee Retirement Systems (NCPERS)*. March 2012. <https://www.ncpers.org/content.asp?contentid=755>
- c. Waddell, Christopher. **"Enhancing Public Pension Plan Security: Best Practice Policies for Trustees and Pension Systems."** *American Federation of State, Municipal, and County Employees (AFMSCE)*. December 2009. <https://www.afscme.org/news/press-room/press-releases/2009/afscme-releases-best-practices-guide-for-pension-systems>

Each of these reports discussed the need to have an effective board education policy, which encourages fiduciaries to improve continuously upon the skills needed to be an effective fiduciary. The report published by NCPERS does not provide further detail but the reports by SIIF and AFMSCE include a template of their recommended educational policy. Both of these reports focus their policy guidance on 1) developing core competency expectations for board members, 2) evaluating the board members core competencies through a self-assessment, and 3) the organization working with the board and individual members to develop a strategic, effective, and documented organizational and individual education plan for the upcoming year(s).

Peer Comparison

We compared LACERA's Board education and travel to that of other 37 Act Funds within California, CALPERS, CALSTRS and various other State public pension plans including those we believe are leading organizations such as Wisconsin SWIB, Texas TRS, Oregon PERS, State of Washington Investment Board, NYSTRS, Florida State Investment Board and others. Our peer

comparison included reviewing the websites of each fund, reviewing the travel policies, interviewing Chief Audit Executives and obtaining data, where available on budget and expense information related to board member education and travel. Peer summary results are below:

	Travel Category	Peer Summary
1	International Travel	Most Funds do not provide for board members to travel internationally. However, those that allow international travel are more restrictive than LACERA. NYSTRS permits international travel for board education in their policy but limits total expenses per board member for travel and education to \$6,000 each per year. CALSTRS and CALPERS do approve international board travel although significantly less than LACERA.
2	Business Class Air Travel	Most funds either do not allow for business class travel or restrict it to flights with a minimum duration of at least 6 to 14 hours. CALPERS for example, only permits business class for international board travel.
3	Conferences Limits	Most funds do not have policy limits on the number of educational conferences board members can attend. Those that did ranged from limits of two to five events per year.
4	Dollar Limits	Most funds do not have dollar limits per board member for education and travel. Funds that did had limits ranging from \$6,000 per board member to \$13,500 per board member annually. For funds that did not have dollar limits per board member, we did not find funds whose total board education costs would have exceeded \$13,500 if averaged among the board members of the fund.
5	Peer range of budget/actual expenditures	Board educational travel expense data for the peer funds for FY 2018 ranged from below \$50,000 to \$137,000 (CALPERS). CALSTRS recently increased its annual budget from \$100,000 to \$120,000 for its board educational travel.

Media Articles

Government entities are held to a high standard in ensuring that public funds are used efficiently and effectively, and the uses of such funds are transparent to the public. Towards this objective, Board-related travel expenses should be reasonable and in line with what a prudent person would incur when conducting official business. Absent controls to ensure prudent spending, Board members are at a greater risk of creating the perception of impropriety (whether perceived or actual); reputation risk, from not only the media, but also our plan sponsors and members. Media coverage regarding travel by pension fund trustees focuses mainly on travel destination, premium class airfare, luxury lodging, entertainment and meals. Article headlines have included:

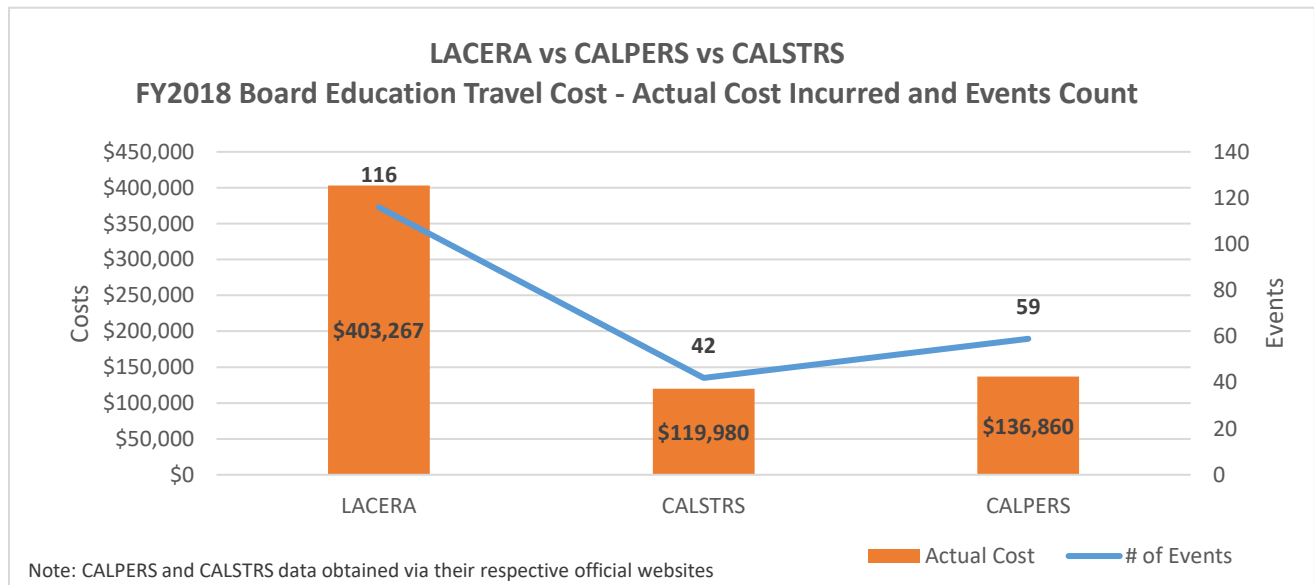
- a. Broadwater, Luke & Wenger, Yvonne. **“City Pension Officials Spend Nearly \$100,000 on Trips.”** *Baltimore Sun*. March 18, 2015 www.baltimoresun.com/maryland/baltimore-city/bs-md-ci-pension-travel-20150318-story.html

- b. Avila, Jale. **“Trustees Spending Fire and Police Pension Funds on Expensive Travel.”** *News 4 San Antonio*. May 3, 2018. www.news4sanantonio.com/news/trouble-shooters/news-4-trouble-shooters-uncover-abuse-of-travel-at-fire-and-police-pension-fund
- c. Einhorn, Erin & Lesser, Benjamin. **“Globetrotting Pension Fund Officials Racked up \$400,000 in Costs as Retirees, Taxpayers Foot Bill.”** *New York Daily News*. April 10, 2010. www.nydailynews.com/new-york/globetrotting-pension-fund-officials-racked-400-000-costs-retirees-taxpayers-foot-bill-article-1.167070

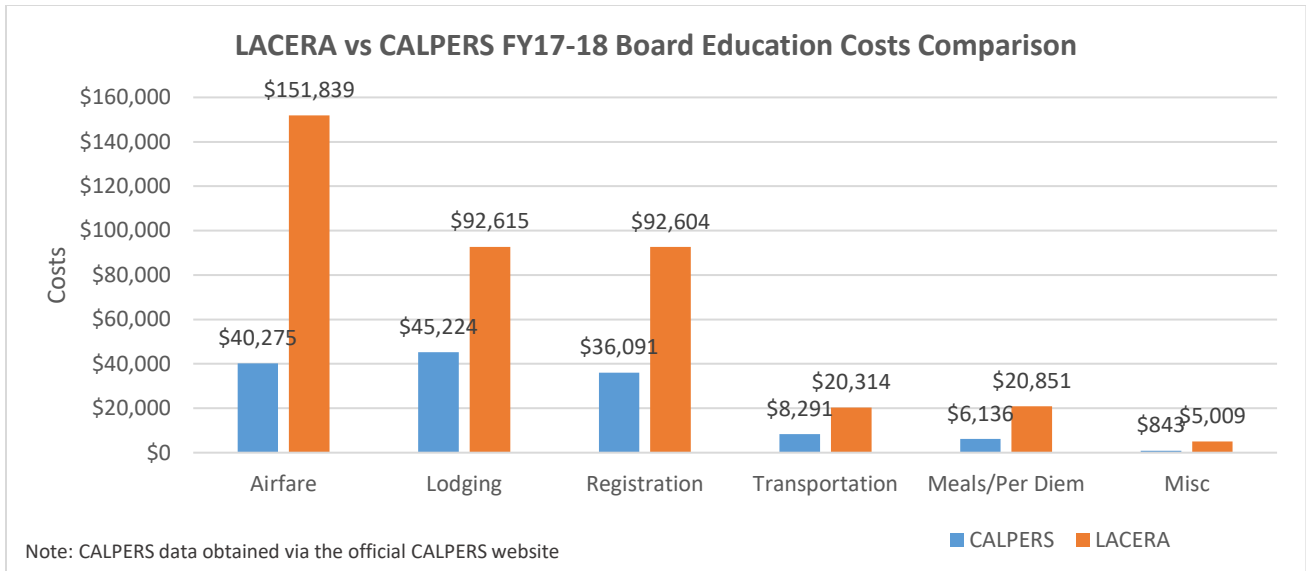
Issue: The Policy Does Not Have an Organizational-Wide Educational Strategy

In our assessment of the current Policy, we noted it does not have an overarching educational strategy that focuses on developing and improving key skills that fiduciaries generally need. Instead, the Policy focuses more on the transactional activities related to education and travel, like conference limits, lodging, and meals. The focus on transactional activities is meant to restrict the costs to reasonable and necessary expenditures but we found that for FY 2018, LACERA’s Board education travel expenditures for 15 Board Members significantly exceeded a peer comparison with CALSTRS, who had 10 board members, and CALPERS, who had 13 board members.

Due to the different number of board members of each fund, we calculated the average cost per Board Member: 1) \$26,884 for LACERA, 2) \$11,998 for CALSTRS, and 3) \$10,528 for CALPERS.



We noted LACERA Board Members attended between 1 to 16 educational conferences each (local and non-local), with a total travel cost ranging from less than \$1,000 to over \$55,000 per traveler. Seven Board members listed on the 4th quarter Travel Log, spent over \$25,000 for the Fiscal Year and their combined totals accounted for 79% (\$310,173) of Board educational travel.



The *Clapman* report identified concerns about relying on educational conferences as the primary form of education. The report states:

There is no lack of educational opportunities available to public pension fund trustees, and trustees as a rule are diligent about attending them. However, while trustees “devote considerable time and effort to education, primarily by attending a variety of conferences that are geared to public funds and that focus on investments,” such programs as a rule “neither encourage trustees to develop the broad vision they need to set policy, nor do they provide the practical grounding a board needs to oversee a fund’s operations.” Also, in our view many programs do not maximize “in seat” education. They may rely heavily on for-profit commercial sponsorships. Programs may also tilt the balance towards recreation and entertainment. (Attachment A, pg. 14)

The *Clapman* report accurately summarizes the reputational and operational risks that Internal Audit has identified by relying so heavily on these types of conferences for education.

Furthermore, the current Policy does not establish an educational strategy that encourages continuously improving the skills a fiduciary should possess. A significant piece of the *Clapman* report’s proposed policy includes a “Trustee Knowledge Self-Assessment” which is used to assess and then develop an educational plan. Incorporating this best practice would address both an operational risk by ensuring all Board members receive an adequate amount of education in the areas needed, and a reputational risk by ensuring education expenditures can be supported.

Recommendation

10. To improve the effectiveness and adequacy of the Policy, Boards and management should:
 - a. Review the *Clapman* report’s education policy for a template of best practices.
 - b. Consider adopting an organizational-wide educational strategy and incorporating the “Trustee (Fiduciary) Knowledge Self-Assessment.” Texas Teacher Retirement System and CalSTRS have both hired a consultant to assess the organizations’

requirements and preferences and to provide guidance in developing an effective educational strategy.

- c. Consider working with LACERA's Training Coordinator to develop a process to create a stakeholder's educational plan, monitor the broader educational needs of the Board for in-house training opportunities, and review and evaluate educational conferences.

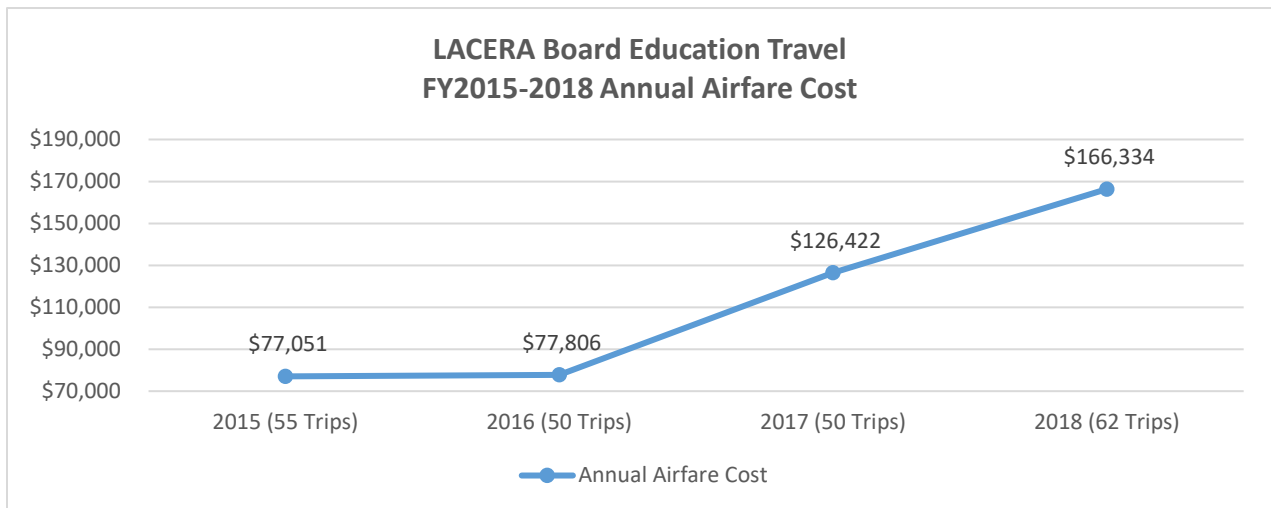
Management Response

Management concurs with this recommendation. Management will bring the issue to the JOGC for further discussion. This recommendation is expected to be completed by January 31, 2020.

Issue: Board Airfare Has Increased Substantially

Internal Audit analyzed the costs of registration, airfare, and lodging, for the last four fiscal years to gain a better understanding of the increase in Board education travel expenditures. Based on the analysis, the cost of airfare has sharply increased (see chart below). We believe LACERA's airfare costs could be reasonably reduced by:

- Amending the Policy to reduce the frequency of business class travel, and
- Amending the Policy to revise how airline tickets are procured.



Business Class Airfare

As the chart above indicates, Board airfare has increased substantially in part due to the Policy revisions in March 2017 to allow business class travel when travel time exceeds five hours.

We noted the cost of the specific airline tickets below to show the cost of business class versus economy class for air travel that is generally six hours or less:

- A Board member's airfare for a domestic flight in December 2017 was approximately \$5,400. When Internal Audit priced this for a trip 14 days in advance, the most expensive direct, non-refundable, economy ticket on a major carrier was almost \$600 (Google Flights), which is 800% less than what LACERA paid.

- A Board member's airfare for a domestic flight in March 2018 was almost \$3,000. When Internal Audit priced this for a trip 14 days in advance, the most expensive direct, non-refundable, economy ticket on a major carrier was \$240 (Google Flights), which is 1150% less than what LACERA paid.
- A Board member's airfare for a domestic flight in June 2018 was approximately \$2,400. When Internal Audit priced this for a trip 14 days in advance, the most expensive direct, non-refundable, economy ticket on a major carrier was \$550. (Google Flights), which is 336% less than what LACERA paid.

Procurement of Airline Tickets

We observed from our testing that refundable tickets were purchased for some travel events. Since the current Policy does not address if or when purchasing refundable tickets is allowed, the purchases were not out of compliance with the Policy. However, since refundable tickets are often two to three times the cost of non-refundable tickets, it seems inconsistent with the Policy's general commentary on Attachment A of the Policy, "Travelers are encouraged to schedule travel in a way that minimizes LACERA's travel expenses." Staff reported that cancelations of trips are rare and that the cost of non-refundable tickets, less a nominal change fee, can be applied to future travel by the Board member.

Additionally, we noted that prudent procurement practices, such as comparing prices among at least three airlines flying to the destination, modifying dates and times of travel, and prohibiting Board members from limiting their travel to one specific airline, are not encouraged or enforced. Due to some airlines not offering business class, this sometimes results in Board members flying first class (as permitted by the policy if business class is not available) on their preferred airline and LACERA incurring costs up to \$12,500 for airfare. We did not obtain information on specific airfare procurement practices at CALPERS or CALSTRS but did not identify any airfares above \$3,000 for international business class travel.

Recommendation

11. To reduce LACERA's total airfare costs, Boards and management should:
 - a. Re-evaluate the use of business class airfare.
 - b. Evaluate stronger enforcement of prudent procurement practices as described above, including prohibiting the purchase of refundable tickets.

Management Response

Management concurs with this recommendation. Management will bring the issue to the JOGC for further discussion. This recommendation is expected to be completed by January 31, 2020.

Other Best Practices Noted

We identified the following additional best practices in our review of peer public pension funds board travel practices for the Board and management to consider in future revisions to the Policy:

1. Transparency – Best practices included having the Education and Travel Policy on the Fund’s public-facing website, inclusion of full estimated costs for travel in board memos requesting the board approval for travel, and providing a summary by traveler with all associated costs of all travel.
2. Centralized airline ticketing and cost management practices including the requirement that award miles earned are first used to upgrade tickets when the traveler is eligible for an upgrade to business class before the Fund incurs additional cost to upgrade the traveler.
3. Emphasis on in-house and local education first, with travel permitted when specific education is not locally available.
4. Separate the education policy from the travel procurement and reimbursement policy with all travelers required to comply with a centralized organizational policy for the procurement of travel and reimbursement of expenses. This establishes a more appropriate system of checks and balances.

We thank FASD, the Legal Office, and the Executive Office management and staff for their cooperation with our audit.

REVIEWED AND APPROVED



Richard Bendall
Chief Audit Executive

Date: June 20, 2019

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LACERA INTERNAL AUDIT DIVISION

**Board and Staff
Education & Travel Audit**

Version with Audit Committee Comments & Internal Audit Responses

June 20, 2019

AUDIT PERFORMED BY:
Christina Logan, CPA, CFE
Senior Internal Auditor

EXECUTIVE SUMMARY

LACERA incurs education and travel expenditures to ensure Board members and staff are properly educated in monitoring the administration and investments of the Trust, and advocating positions that protect and further the interests of the Trust. LACERA has an Education and Travel Policy (Policy), which the Boards last updated in March 2017, to facilitate Boards and staff in balancing their fiduciary responsibilities to be knowledgeable advocates and to be fiscally prudent with the Trust’s funds.

We completed this audit as part of the Fiscal Year (FY) 2019 (July 2018 – June 2019) Audit Plan. Internal Audit periodically performs a compliance audit of the Policy to address the operational risks associated with travel. We last audited Board and staff education and travel expenditures in FY 2016.

In determining the scope of the audit, we considered the following:

- The Boards’ education travel expenditures had increased, while staff’s education travel expenditures had decreased, over the last three fiscal years.

Fiscal Year	Board education travel expenditures	Change over base year (FY 2016)	Staff education travel expenditures	Change over base year (FY 2016)
2016	\$269,861	-	\$497,918	-
2017	\$303,320	11% increase	\$433,349	13% decrease
2018	\$403,267	49% increase	\$381,671	23% decrease

- The Boards’ budget for all travel and education was \$411,000 in FY 2018. The budget rose to \$529,000 for FY 2019 and to \$569,000 for FY 2020 (a 38% increase over 2 years).
- Peer public pension fund board education travel was more limited in frequency and costs than LACERA’s Board education travel.
- A public data request for the Board of Investments’ travel was made in August 2018.

To address the above risks and to assess if internal controls related to Board and staff education and travel expenditures are effective in mitigating the associated risks of fraud, operational, compliance, and reputational risk, we included the following objectives in our audit:

Section 1: Compliance with the Policy

Section 2: Review of the effectiveness and adequacy of the Policy

We observed that Board and staff were generally compliant with the Policy although we identified areas that could be improved through better communication by key stakeholders, more complete travel files, and updates and/or revisions to the Policy. However, we also identified that the Policy allowed for a broad array of practices that are not effective in controlling costs. Some examples include but are not limited to the following:

- Individual Board members incurred annual travel costs ranging from less than \$1,000 to more than \$55,000
- Individual Board members purchased airfare as high as \$12,500 for a single international trip
- Individual Board members attending anywhere from one to 16 educational events (local and non-local) per year

Our survey of peer public pension plans both within California and throughout the United States supported our concern that LACERA is a significant outlier in costs incurred for Board educational (non-administrative) travel. Most notably, LACERA incurred significantly higher costs for Board educational travel in FY 2018 than either CALPERS, a \$350 Billion fund as of June 2018, or CALSTRS, a \$226.1 Billion fund as of May 2019. We found that these two funds were the most supportive of Board education and travel, including some international travel, among the funds in the peer group. Based on the data provided to us, we did not identify any peer funds in the survey that exceeded either CALPERS or CALSTRS in expenditures for board educational travel.

Overall, we found opportunities for LACERA Boards and management to achieve a Policy with more effective measures of education and training while minimizing costs. We observed that the Policy could be more effective and better aligned with published best practices and peer pension funds by focusing on an organization-wide educational strategy.

See the following table on the next page for a summary of the issues and recommendations identified during the audit.

Summary of Issues and Recommendations

Page(s)	Issues	Recommendations
Section 1: Compliance with the Policy		
A. Assessment of travelers and FASD's review process		
10 – 13	Compliance Exceptions	<ol style="list-style-type: none"> 1. FASD management should assess the need to obtain missing documentation and/or recover amounts from travelers for noncompliant transactions that were identified during the audit. 2. FASD management should ensure that its staff consistently enforces the Policy and escalates to FASD management any areas of the Policy requiring interpretation or clarification. 3. Management should periodically provide training to the Boards and staff on the Policy to ensure travelers and approvers are aware and compliant with the Policy requirements. 4. To improve the effectiveness and efficiency and to consistently enforce the review process, FASD, the Legal Office, and the Executive Office should meet periodically to determine a joint understanding of the Policy, how to address and document when questionable charges occur, and if updates or revisions should be suggested to the Boards. 5. To be consistent with the section "Authorized Expenses" (705.02) of the Policy, that expenses should be "reasonable and necessary," Boards and management should: <ol style="list-style-type: none"> a. Revise the Policy to reflect current economical transportation services, like public transportation, taxis, or ride-share services. The Policy should still require the traveler to provide written justification if an upgraded ground transportation service is used. b. Update the Policy to address if and when the use of an executive car service is acceptable.
14	FASD does not have complete files for each travel event	<ol style="list-style-type: none"> 6. To improve the effectiveness and efficiency of FASD's review process, FASD should: <ol style="list-style-type: none"> a. Provide instructions for the Travel Expense Voucher (payment request), so travelers can provide a complete travel file. b. Work with the Systems Division and the Executive Office to explore solutions that would allow travelers to upload and allocate travel receipts, and that would allow FASD to review and store complete travel files in a central location.
B. Completeness and accuracy of Monthly and Quarterly Travel Reports		
15	Accuracy of Quarterly Travel Reports	<ol style="list-style-type: none"> 7. To improve the accuracy of the Quarterly Travel Reports, FASD should: <ol style="list-style-type: none"> a. Ensure all members of FASD's Disbursements Unit are adequately trained and supervised. b. Instruct travelers on providing a complete travel file, and work with the Systems Division and the Executive Office to explore having traveler's upload and allocate travel receipts to a central location
16 – 17	Administrative travel is not clearly addressed in the current Policy	<ol style="list-style-type: none"> 8. To strengthen the Policy, the Boards and management should revise the Policy to better clarify "Administrative Travel," to define controls regarding when administrative travel is authorized, if there is a limit to administrative travel, and how administrative travel should be categorized for Board members.
17 – 18	"Local Educational Conferences" per the Policy are difficult to categorize	<ol style="list-style-type: none"> 9. To ensure conferences are consistently and accurately categorized, conference limitations are applied, and to assist Board members in planning their educational conferences, Boards and management should revise the Policy to provide a standardized definition of "local educational conferences" - for example, limiting local education to Los Angeles County, Southern California, or a set distance from LACERA.

Summary Continued

Summary of Issues and Recommendations (continued)

Page(s)	Issues	Recommendations
Section 2: Review of the Effectiveness and Adequacy of the Policy		
21 -23	The Policy does not have an organizational-wide educational strategy	10. To improve the effectiveness and adequacy of the Policy, Boards and management should: <ol style="list-style-type: none"> a. Review the Clapman report’s educational policy for a template of best practices. b. Consider adopting an organizational-wide educational strategy and incorporating the “Trustee (Fiduciary) Knowledge Self-Assessment.” c. Consider working with LACERA’s Training Coordinator to develop a process to create a stakeholder’s educational plan, monitor the broader educational needs of the Board for in-house training opportunities, and review and evaluate educational conferences.
23 – 24	Board airfare has increased substantially	11. To reduce LACERA’s total airfare costs and the high exposure to headline risk, Boards and management should: <ol style="list-style-type: none"> a. Re-evaluate the use of business class airfare. b. Evaluate stronger enforcement of prudent procurement practices, including prohibiting the purchase of refundable tickets.

See Results Section of the report for Management’s Responses.

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INTRODUCTION

The Board of Retirement, Board of Investments, and designated staff have a fiduciary duty to obtain education about public pension administration and investments, to monitor the administration and investments of the Trust, and to advocate positions that protect and further the interests of the Trust. LACERA has an Education and Travel Policy (Policy), which was last updated in March 2017, to facilitate the Boards and staff in executing this fiduciary duty and to ensure LACERA's funds are used in a manner consistent with LACERA's overall mission. Authorized education and travel expenses include, but are not limited to, expenses related to the attendance at industry conferences and various educational and training seminars, legislative meetings, and on-site due diligence visits for existing and potential service providers.

We completed this audit as part of the Fiscal Year (FY) 2019 (July 2018 – June 2019) Audit Plan. Internal Audit periodically performs a compliance audit of the Policy to address the operational risks associated with travel. We last audited Board and staff education and travel expenditures in FY 2016. For this audit, we reviewed FY 2018 (July 2017-June 2018) education and travel expenditures:

Category of Travel Events	Boards	Staff
Education	\$403,267	\$381,671
Administrative	<u>\$23,153</u>	<u>\$227,409</u>
Total	\$426,420	\$609,080

BACKGROUND

Pre-Travel Authorization

Board members are pre-approved to attend conferences listed on Attachment C of the Policy, and local conferences that have a registration fee less than \$500 and no common carrier travel or lodging. However, Board members must seek Board approval to attend conferences not included on Attachment C or any international conferences. Staff members must obtain approval from the Chief Executive Officer (CEO) for education and travel. Once travel has been authorized, Financial & Accounting Services Division (FASD) will create an event number in the Travel Manager program to record the event name, official travel dates, location, and travelers. FASD then assigns staff the event number so all related expenditures can be allocated correctly.

Travel Arrangements

Board and staff are encouraged to make travel arrangements as far in advance as possible to take advantage of early bird registrations, conference room rates, and lower airfares. Executive Board Assistants (Assistants) and Division Managers generally use their LACERA corporate credit card to pay for conference registration, lodging, and airfare. FASD requires corporate cardholders to provide receipts and allocate these expenditures to the correct event number. Managers review and approve the purchases on a monthly basis. FASD then reconciles the monthly corporate credit card statements against the receipts and researches any discrepancies or missing documentation.

Reimbursements

Generally, travelers request reimbursement for expenses incurred while traveling such as meals, mileage, parking, and airline baggage fees. Individuals are required to submit a Reimbursement Expense Voucher (Expense Voucher) within 90 days of completing the travel, or 30 days after the fiscal year-end, whichever occurs first. For Board members, the Assistants will review the Expense Vouchers for general compliance and then the CEO will approve them. For staff, division managers review and approve the Expense Vouchers. Approved Expense Vouchers are then routed to FASD for an additional review, approval, and processing.

FASD's Review

FASD is responsible for reviewing the Expense Vouchers and monthly corporate card receipts to ensure the expenditures are consistent with the Policy. FASD reviews the receipts provided to ensure date, times, and amounts are consistent with the corresponding conference and travel agendas. FASD also recalculates the mileage amount, ensures the per diem is calculated based on the correct General Services Administration rate and Meal & Incidental Breakdown, and allocates expenses that are shared between travelers (e.g., a shared meal or a shared taxi ride) to the appropriate divisions. If FASD has questions or needs additional documentation, they email either the Assistants or staff.

Travel Reports

On a monthly basis, FASD prepares the Monthly Education and Travel Expenditures Report (Travel Report), which details the completed, anticipated, and canceled education and travel for Board and staff for the fiscal year. This report does not reflect costs. On a quarterly basis, FASD prepares the Quarterly Travel Report, which details the education and travel expenditures paid / reimbursed by LACERA for Board and staff. These reports are distributed monthly and quarterly to Board and staff.

Since the Policy limits Board members to 8 (or 12 if on both Boards) conferences but does not limit the number of local educational conferences per fiscal year (Section 705.07), FASD categorizes the Travel Reports for Board travel as:

- "A" - Pre-approved conferences listed on Attachment C of the LACERA Education and Travel Policy and/or Board approved conferences.
- "B" - Administrative conferences and/or local educational conferences that do not require common carrier travel and lodging totaling less than \$1,500.
- "X" - Canceled events for which expenses have been incurred.

AUDIT OBJECTIVES & METHODOLGY

The audit objectives were to assess if internal controls related to Board and staff education and travel expenditures are effective in mitigating the associated risks of fraud, operational, compliance, and reputational risk. Specifically, we reviewed the following:

SECTION 1: Compliance with the Education and Travel Policy

- A. Assessment of travelers and FASD's review process
 - Reviewed LACERA's Education and Travel Policy dated March 2017.
 - Sampled Board's and staff's travel to verify the expenditures were compliant with the Policy, accurate, and valid, and reviewed the travel events for fraudulent activity.
 - Sampled payment requests to ensure FASD thoroughly reviewed requests, questioned charges that appeared inconsistent, rejected out of compliance charges, and processed payment requests timely.

- B. Completeness and accuracy of Travel Reports
 - Reviewed the Travel Reports to determine if educational conferences were correctly categorized as local educational conferences, and to ensure the 8/12 conference limitation was applied consistently and accurately to all Board members.
 - Reviewed canceled trips to ensure they were documented in the Travel Reports, individuals who canceled provided valid reasons in a timely manner, and if fees were incurred, they were either pardoned by the Board chair or repaid to the fund.

SECTION 2: Review of the Effectiveness and Adequacy of the Education and Travel Policy

- Reviewed best practice guidance.
- Reviewed peer public pension funds' education and travel policies and travel reports (if available).
- Reviewed current news articles about governmental agencies' travel.
- Discussed Policy, procedures, process, and controls with FASD, the Legal Office, and the Executive Office.

AC QUESTION: Such as?

IA RESPONSE: The Clapman Report – See reference on page 21

AUDIT SCOPE

The audit scope for compliance testing included Board and staff education and travel expenditures for FY 2018. We tested approximately 10% of Board education and administrative travel, 20 events totaling \$122,435. We tested approximately 10% of staff education and administrative travel, 34 events totaling \$84,863.

The audit scope for the review of the effectiveness and adequacy of the Policy was limited to Board education travel. We limited the scope to Board education travel, after considering the following:

AC QUESTION: The second sentence in the preceding paragraph stated you tested “Board education and administrative travel”

IA RESPONSE: Yes, the first paragraph referred to the compliance section of the audit which did include administrative travel.

- The Boards’ education travel expenditures had increased, while staff’s education travel expenditures had decreased, over the last three fiscal years.

Fiscal Year	Board education travel expenditures	Change over base year (FY 2016)	Staff education travel expenditures	Change over base year (FY 2016)
2016	\$269,861	-	\$497,918	-
2017	\$303,320	11% increase	\$433,349	13% decrease
2018	\$403,267	49% increase	\$381,671	23% decrease

- The Boards’ budget for all travel and education was \$411,000 in FY 2018. The budget rose to \$529,000 for FY 2019 and to \$569,000 for FY 2020 (a 38% increase over 2 years).
- Peer public pension fund board education travel was more limited in frequency and costs than LACERA’s Board education travel.
- A public data request for the Board of Investments’ travel was made in August 2018.

RESULTS

We have categorized the results of our audit into two separate and distinct sections. The first section, “**Compliance with the Education and Travel Policy,**” discusses our findings from the test work performed and includes recommendations to strengthen either the Policy or the processes. The second section, “**Review of the effectiveness and adequacy of the Education and Travel Policy,**” presents our findings from researching best practice guidance, peer comparisons, and recent media headlines and includes recommendations to better align with industry practices.

SECTION 1: COMPLIANCE WITH THE POLICY

A. ASSESSMENT OF TRAVELERS AND FASD’S REVIEW PROCESS

We tested the selected sample travel events against the Policy and related procedures. See the chart below for a summary of our testing. We concluded travelers were generally compliant with Policy and related procedures, and FASD generally performs a thorough, detailed review of payment requests and credit charges. We did not find any instances of fraud in our testing but did find areas where the Policy and/or related payment processes could be strengthened.

Attribute Tested	Compliance Assessment Good = No exceptions Fair = 1-10% exceptions Weak = more than 10% exceptions
Educational conference or administrative travel was pre-approved	Fair
Educational conference met 5-hour education requirement	Good
Airfare and ancillary costs were consistent with the Policy	Good
Airfare purchased / reimbursed by LACERA was the airfare the travel used	Good
Lodging was consistent with the conference hotel rate and/or 3 times approved government rate for that city for non-conference travel, for a standard room, and consistent with the travel itinerary	Fair
Meal charges were consistent with conference and travel itinerary	Fair
Ground transportation was consistent with the conference and travel itinerary	Weak
Incidentals and miscellaneous charges were reasonable	Good
Mileage charges were accurate and consistent with travel itinerary	Good
Parking charges were consistent with conference and travel itinerary	Good
Reimbursement request was submitted timely	Good
Thorough review – receipts support charge, per diem rates and Meal & Incidental breakdown verified, calculations checked for accuracy, questionable charges resolved.	Fair
Canceled travel included a written valid reason provided by the traveler, and any associated costs over \$50 were pardoned by Board chair	Good

Issue: Compliance Exceptions

- I. A traveler attended an educational conference with only verbal approval from the CEO. When the traveler submitted a payment request for the trip, FASD staff notified the traveler the event had not been created in the Travel Manager because no written approval had been submitted. Subsequently, the CEO provided written approval for the trip. Although the Education and Travel Policy stipulates, “The CEO, or designee, shall approve staff education and travel,” the expectation is for staff to receive written approval prior to making travel arrangements, from the CEO. The traveler explained the CEO had provided verbal approval,

but the traveler did not obtain written approval prior to making or taking the trip. The traveler said it was an oversight and the traveler has not made the mistake again.

AC QUESTION: It would be helpful if you delineated your findings between Board and staff travel. This exception is staff travel?

IA RESPONSE: Yes, this exception was a staff traveler

- II. A traveler attended an educational conference and stayed for additional personal days. The traveler's additional personal days of lodging were charged to the corporate credit card. Although the Policy does not specifically address personal expenditures, LACERA's Corporate Credit Card Policy (Section 4.2) dated April 2016, which was in effect during this time period, does address personal expenditures. It stated, "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 at any time." When the traveler returned, the traveler immediately reimbursed LACERA for the personal portion of the lodging. The traveler explained the hotel had mistakenly charged all the lodging days to LACERA's card, instead of only charging the conference days. The traveler stated that for upcoming trips the traveler would clarify which cards to use when checking-in to the hotel. Although LACERA was able to recoup the personal portion of hoteling timely, this practice does not comply with the Corporate Credit Card Policy and FASD does not have the resources to track payments owed to LACERA by individual travelers. FASD addressed this issue by providing Corporate Credit Card training to all staff in March 2019.

AC QUESTION: I don't disagree. But FASD should have the resources to review payment requests prior to issuing payment. This is another reason to cancel the Corporate Credit Card in the agency.

IA RESPONSE: Noted

- III. A traveler attended an educational conference and booked an upgraded room. The Policy (Attachment A: Lodging – A. Room Cost) limits room rates to "a standard class single room rate. We noted a price difference of approximately \$50/night between the two rooms when we priced the hotel for the same month but the following year. The traveler did not provide a written justification for the upgrade and staff did not identify or question the upgrade.

AC QUESTION: How would staff know? Did the invoice say "UPGRADED ROOM"?

IA RESPONSE: No, the invoice would not but the traveler should disclose and pay the difference or provide justification for the upgrade, such as document that the standard rooms were booked and the traveler booked the next available room.

- IV. When a traveler attended an educational conference, he/she reserved a room, which included breakfast not provided with standard room. Although the hotel rate included breakfast, the traveler requested the breakfast per diem for all the travel days. The Policy (Attachment A: Meals) specifically states, "LACERA will not reimburse the traveler for a meal which has been pre-paid by LACERA whether or not the traveler consumed the meal" unless

written justification is provided to document if the traveler had either special dietary restriction or had to conduct LACERA business during the meal. The traveler did not provide a written justification for the breakfast per diem. Staff did not question the request justification for the breakfast per diem since the hotel receipt was not included with the payment request documentation but was instead included with the credit card documentation.

- V. A traveler requested authorization to have LACERA pay for a personal item that was lost while attending an approved conference and the Executive Office approved the expenditure. We noted the Policy does not address payment for personal items lost while traveling for LACERA business but the Executive Office approved the payment, without seeking guidance from either the Legal Office or FASD.

AC QUESTION: \$ value? Did the traveler file a police report?

IA RESPONSE: \$413.00. Since the item was lost, the traveler did not file a police report

- VI. The current Policy states in section 705.11, "Individuals are expected to use group shuttle service to and from metropolitan destinations...Reimbursement of an alternative mode of transportation will be limited to the cost of the group shuttle service unless otherwise justified." However, our audit disclosed that travelers do not use group shuttle services for ground transportation nor do travelers provide a business justification when using an alternative method. Travelers generally use taxis or ride sharing service for ground transportation needs. Internal Audit noted FASD does not question the use of alternative methods of transportation nor does FASD limit reimbursement to the cost of the group shuttle service as stated in the Policy. Per discussion with staff, FASD did not enforce the Ground Transportation section of the Policy because using alternative transportation methods, instead of group transportation, had become the common and accepted practice. However, this change in practice should have been discussed with the Executive Office and Legal Office, and the Policy should have been revised.

Additionally, we observed some Board members used an executive car service for ground transportation needs. We noted several times the executive car service was used domestically, including for transportation to and from the local airport. The travelers did not provide a business justification for using the executive car service and FASD did not question the charges.

Recommendations:

1. FASD management should assess the need to obtain missing documentation and/or recover amounts from travelers for noncompliant transactions that were identified during the audit.

Management Response

Management concurs with the recommendation. FASD management will have staff review the audit exceptions, and follow-up with travelers to obtain missing documentation and/or recover any amounts owed, as applicable, due to non-

compliant transactions. This recommendation is expected to be completed by January 31, 2020.

2. FASD management should ensure that its staff consistently enforces the Policy and escalates to FASD management any areas of the Policy requiring interpretation or clarification.

Management Response

Management concurs with the recommendation. FASD will evaluate a monitoring mechanism to ensure consistent Policy enforcement. In addition, Management re-emphasized to staff the importance of elevating exceptions to the Policy for guidance and resolution. This recommendation is partially implemented and is expected to be completed upon the approval of the revised Policy.

3. Management should periodically provide training to the Boards and staff on the Policy to ensure travelers and approvers are aware and compliant with the Policy requirements.

Management Response

Management concurs with the recommendation. FASD will work with the Executive and Legal Offices to schedule Travel Policy training for the Boards and staff at least annually or when the Policy is revised. This recommendation is expected to be completed by June 30, 2020.

AC QUESTION: As it is now, so much of the expenditures are handled by the Board secretaries and trustees see or sign off on none of it. It is hard to hold trustees accountable under that framework. Perhaps the route to to is to charge trustees with the completion of travel expense reports and then hold them accountable to the reports they submit.

IA RESPONSE: Agree with the suggestion.

4. To improve the effectiveness and efficiency and to consistently enforce the review process, FASD, the Legal Office, and the Executive Office should meet periodically to determine a joint understanding of the Policy, how to address and document when questionable charges occur, and if updates or revisions should be suggested to the Boards.

AC QUESTION: That's a waste of resources. Clarify as necessary, charge trustees with completion of an expense report, require Board secretary review and sign off.

IA RESPONSE: It is a board policy and updates to the policy for purposes of clarification need to be brought to the boards for adoption and approval.

Management Response

Management concurs with the recommendation. FASD management will schedule joint meetings with FASD, the Executive and Legal Offices when there are Policy updates. In addition, this core group will convene at least bi-annually to review the Policy and related issues of non-compliance to determine if such issues warrant Board

consideration for Policy revision. This recommendation is expected to be completed upon the approval of the revised Policy.

5. To be consistent with the section “Authorized Expenses” (705.02) of the Policy, that expenses should be “reasonable and necessary,” Boards and management should:
 - a. Revise the Policy to reflect current economical transportation services, like public transportation, taxis, or ride-share services. The Policy should still require the traveler to provide written justification for using an upgraded ground transportation service if used.

AC QUESTION: It depends. If I arrive in Tokyo at 2:30 in the morning, I am not walking around the airport in search of a shuttle service, calling one, and then waiting in line to book a shuttle service to take me to my hotel. I am going to hop in a taxi. If that taxi charge is more than LACERA will reimburse, publish that clearly so I know the increment I will need to pay.

IA RESPONSE: That would be an appropriate justification for taking a taxi and should be documented in the expense claim by the traveler under the current Policy.

- b. Update the Policy to address if and when the use of an executive car service is acceptable.

Management Response

Management concurs with this recommendation. Management will bring the issue to the JOGC for further discussion. This recommendation is expected to be completed by January 31, 2020.

Issue: FASD Does Not Have Complete Files for Each Travel Event

During our test work, we noted FASD does not have a complete physical or electronic file for each travel event but instead maintains several platforms of information; a binder with all approved conferences and related agendas, a corporate credit card database, and Great Plains, a financial and accounting software system. Not having a complete file for each travel event decreases the effectiveness of the review process, an operational risk. For example, when a traveler submits a payment request it is generally shortly after returning from the trip. If the payment request includes a per diem for breakfast, even though the traveler’s lodging included breakfast, FASD at that time would not have the receipt for lodging. The receipt for lodging would be submitted several weeks later if the lodging was paid using LACERA’s corporate credit card. In this scenario, FASD is reviewing the payment request but they do not have a complete understanding of all the expenditures related to the travel event.

Additionally, not having a complete travel file makes it more difficult for FASD to provide accurate numbers on the Travel Reports.

Recommendation

6. To improve the effectiveness and efficiency of FASD’s review process, FASD should:
 - a. Provide instructions for the Travel Expense Voucher (payment request), so travelers can provide a complete travel file.

AC QUESTION: I have never seen this, but if you develop a comprehensive and well referenced expense report, the great majority of your problems will disappear.

IA RESPONSE: Agree

Management Response

Management concurs with the recommendation. FASD will update the Travel Expense Voucher to include clear written instructions for completing the document. This recommendation is expected to be completed by June 30, 2020.

AC QUESTION: If the risks are as you stated, a year is far too much time.

IA RESPONSE: Agree, we will work with management to ensure this is addressed as soon as possible.

- b. Work with the Systems Division and the Executive Office to explore solutions that would allow travelers to upload and allocate travel receipts, and that would allow FASD to review and store complete travel files in a central location.

Management Response

Management concurs with the recommendation. FASD held preliminary discussions with the Systems Division and the Executive Office to evaluate the feasibility of implementing a travel receipt capture and storage tool. This recommendation is partially implemented and expected to be completed by June 30, 2020.

B. COMPLETENESS AND ACCURACY OF TRAVEL REPORTS

Per our review of FY 2018 Travel Reports, Internal Audit found several areas that could be strengthened to improve the completeness and/or accuracy of the reports.

Issue: Accuracy of Quarterly Travel Reports

We noted several instances where the Quarterly Travel Report did not accurately reflect the travel expenditures for a traveler's trip. Examples of the errors were:

- Registration Fees included registration for the correct event and a future event.
- No airfare recorded since a credit from a previously canceled flight was used.
- Lodging included hotel and associated parking fees.

In addition to the inaccuracies that Internal Audit identified, we learned from discussions with FASD, the Executive Board Assistants, and the Legal Office that the FY 2018 Quarterly Travel Reports were significantly revised for inaccurate reporting of travel expenditures before a public data request was fulfilled. Based on discussions with FASD, many of the inaccuracies in the Reports were caused by having a key member of FASD's Disbursements Unit out of the office for the majority of the year, and not having a complete travel file, as discussed in the prior section.

AC QUESTION: I don't know what this means. Are you stating that after receipt of a public data request, staff determined the information in the reports was inaccurate? If so, did staff then dedicate the resources necessary to compile information that was correct?

IA RESPONSE: That is correct. Yes, staff dedicated the resources to correct the reports.

Inaccuracies in management reports in an indication that staff do not reconcile the reports to the books and records. Is that true?

IA RESPONSE: Yes, and this is also a consequence of not having a single complete travel file.

Where is the recommendation that FASD develop and implement a staff coverage plan for circumstances like this?

IA RESPONSE: Noted

Recommendation

7. To improve the accuracy of the Quarterly Travel Reports, FASD should:
 - a. Ensure all members of FASD's Disbursements Unit are adequately trained and supervised.

Management Response

Management concurs with the recommendation. FASD management instructed supervisors and staff to review and consistently refer to the current Policy. When changes to the Policy occur, the supervisor will ensure staff are aware of those changes and are adequately trained on such changes. This recommendation is expected to be completed by January 31, 2020.

- b. Instruct travelers on providing a complete travel file, and work with the Systems Division and the Executive Office to explore having traveler's upload and allocate travel receipts to a central location.

Management Response

Management agrees with the recommendation. FASD will provide instructions for complete travel files to travelers. In addition, FASD held preliminary discussions with the Systems Division and the Executive Office to evaluate the feasibility of implementing a travel receipt capture and storage tool. This recommendation is expected to be completed by June 30, 2020.

Issue: Administrative Travel Is Not Clearly Addressed In the Current Policy

During FY 2018, LACERA spent approximately \$23,000 on administrative, non-educational travel for Board members. Board members traveled for administrative purposes to meet with Congress and to execute duties as a SACRS board member. During FY 2018, LACERA spent approximately \$243,000 on administrative travel for staff. The Investment Office's travel for due diligence reviews made up most of staff's administrative travel.

On the Travel Reports, staff categorized Board travel as either:

- "A - Pre-approved conferences or conferences not listed in Attachment C of the LACERA Education and Travel Policy" or
- "B - Administrative conferences and/or local educational conferences that do not require common carrier travel and lodging totaling less than \$1,500"

For FY 2018, the Executive Office and FASD categorized the following administrative travel as “B - Administrative conferences and/or local education conferences”:

Travel Date	Conference and Location	Board Members and Total Cost	Approval
Five travel events during FY 2018	SACRS Board Meetings, Sacramento, CA	1 Board member with a total cost of approximately \$5,000	No approval – Staff carried forward the interpretation that attending SACRS Board meetings qualified as administrative travel. In March 2019, the Board of Retirement authorized the travel from July 2014 through 2019 as administrative thus not counting towards the annual conference limits.
May 2018	IFEBP Legislative Update & Federal Engagement - Washington D.C.	3 Board members attended with a total aggregate cost of approximately \$14,000	April 2, 2018 Memo – The Board of Retirement approved the reimbursement of travel costs but does not address how to categorize the travel.

AC QUESTION: We need a shift in this organization to a focus on “legal authority.” The idea that an “interpretation” is legal authority to spend in just plain silly.

IA RESPONSE: Noted

As the current Policy does not clearly address the definition of administrative travel, how administrative meetings should be categorized, or if administrative travel should count towards a Board member’s annual conference limit, staff excluded administrative travel from the annual conference limits. Staff consistently applied this interpretation to all Board members and all Travel Reports have reflected this interpretation since July 2014. However, during our audit, we noted stakeholders were unclear if staff’s interpretation of the Policy was correct. The Policy should be revised to more clearly address “Administrative Travel.”

Recommendation

- To strengthen the Policy, the Boards and management should revise the Policy to clarify “Administrative Travel” to define controls regarding when administrative travel is authorized, if there is a limit to administrative travel, and how administrative travel should be categorized for Board members.

Management Response

Management concurs with this recommendation. Management will bring the issue to the JOGC for further discussion. This recommendation is expected to be completed by January 31, 2020.

Issue: “Local Educational Conferences” Per the Policy Are Difficult to Categorize

Per the Policy, local educational conferences are conferences where there is no common carrier travel and lodging is under \$1,500, and these conferences should not be counted towards the annual 8/12 conference limit. We observed that it is difficult to categorize which conferences should be considered “local educational conferences”, not subject to the 8/12 limit, as this determination needs to be made for each traveler’s individual travel expenditures.

When we reviewed the 4th Quarter FY 2018 Travel Report, we noted that staff had categorized several trips as “local educational conferences” but these trips included either airfare or lodging was over \$1,500.

AC QUESTION: Simple criteria for which we could control through a well designed expense report.

IA RESPONSE: Noted. We emphasize the recommendation below.

If FASD had applied the current Policy definition of local educational conferences, the following conferences should be re-categorized based on each Board members’ travel:

- **Fall SACRS Conference, November 14-17, 2017** – Three Board members flew to San Francisco so for those travelers, the conference should have counted towards the 8/12 educational conference limit. One Board member drove to San Francisco so for that traveler, the conference was correctly categorized as a local educational conference, and not counted toward the educational conference limit.
- **IFEBP Public Employees Benefits Institute, June 25-27, 2018** – One Board member flew to Las Vegas so for that traveler, the conference should have counted towards the 8/12 educational conference limit. One Board member drove to Las Vegas so for that traveler, the conference was correctly categorized a local educational conference, and not counted toward the educational conference limit.
- **Milken Conference, April 29 – May 2, 2018** – One Board member’s lodging for the conference in Los Angeles was over \$1,500 so for that traveler, the conference should have counted towards the 8/12 educational limit. Nine other Board members’ lodging for the conference was under \$1,500 so for those travelers, the conference was correctly categorized as a local educational conference, and not counted toward the educational limit.

Recommendation

9. To ensure conferences are consistently and accurately categorized, conference limitations are applied, and to assist Board members in planning their educational conferences, Boards and management should revise the Policy to provide a standardized definition of “local educational conferences” – for example, limiting these to Los Angeles County, Southern California, or a set distance from LACERA.

Management Response

Management concurs with this recommendation. Management will bring the issue to the JOGC for further discussion. This recommendation is expected to be completed by January 31, 2020.

SECTION 2: REVIEW OF THE EFFECTIVENESS AND ADEQUACY OF THE POLICY

When we evaluated the effectiveness and adequacy of the Education and Travel Policy, Internal Audit recognized Board and staff must balance their fiduciary responsibilities to be knowledgeable advocates and to be fiscally prudent with the Trust's funds. Travel expenditures represent a high-risk area to government entities as travel is scrutinized by the media and there is an expectation that funds are used efficiently, effectively, and transparently. To evaluate our Policy, we reviewed industry best practices, compared other public pension funds' education and travel policies and if available, published travel reports, and recent media articles regarding travel by governmental agencies.

AC QUESTION: Where was this input on the front end?

IA RESPONSE: Most of this is included in the Executive Summary including a statement about reputational risk but you are correct, we did not specifically mention the media or headline risk in the Executive Summary.

Best Practices

Internal Audit found three relevant published reports regarding best governance practices for public pension funds:

- a. Clapman Peter & Waddell, Christopher. **"Clapman Report 2.0 (Clapman): Model Governance Provisions to Support Pension Fund Best Practice Principles."** *Stanford Institutional Investor's Forum Committee on Fund Governance (SIIF)*. May 2013. <https://law.stanford.edu/event/the-clapman-2-0-report-fulfilling-public-pension-board-fiduciary-duties-through-the-adoption-of-governance-best-practices/>
- b. Regan, Julian. **"Best Governance Practices for Public Retirement Systems."** *National Conference on Public Employee Retirement Systems (NCPERS)*. March 2012. <https://www.ncpers.org/content.asp?contentid=755>
- c. Waddell, Christopher. **"Enhancing Public Pension Plan Security: Best Practice Policies for Trustees and Pension Systems."** *American Federation of State, Municipal, and County Employees (AFMSCE)*. December 2009. <https://www.afscme.org/news/press-room/press-releases/2009/afscme-releases-best-practices-guide-for-pension-systems>

Each of these reports discussed the need to have an effective board education policy, which encourages fiduciaries to improve continuously upon the skills needed to be an effective fiduciary. The report published by NCPERS does not provide further detail but the reports by SIIF and AFMSCE include a template of their recommended educational policy. Both of these reports focus their policy guidance on 1) developing core competency expectations for board members, 2) evaluating the board members core competencies through a self-assessment, and 3) the organization working with the board and individual members to develop a strategic, effective, and documented organizational and individual education plan for the upcoming year(s).

Peer Comparison

We compared LACERA’s Board education and travel to that of other 37 Act Funds within California, CALPERS, CALSTRS and various other State public pension plans including those we believe are leading organizations such as Wisconsin SWIB, Texas TRS, Oregon PERS, State of Washington Investment Board, NYSTRS, Florida State Investment Board and others. Our peer comparison included reviewing the websites of each fund, reviewing the travel policies, interviewing Chief Audit Executives and obtaining data, where available on budget and expense information related to board member education and travel. Peer summary results are below:

	Travel Category	Peer Summary
1	International Travel	Most Funds do not provide for board members to travel internationally. However, those that allow international travel are more restrictive than LACERA. NYSTRS permits international travel for board education in their policy but limits total expenses per board member for travel and education to \$6,000 each per year. CALSTRS and CALPERS do approve international board travel although significantly less than LACERA.
2	Business Class Air Travel	Most funds either do not allow for business class travel or restrict it to flights with a minimum duration of at least 6 to 14 hours. CALPERS for example, only permits business class for international board travel.
3	Conferences Limits	Most funds do not have policy limits on the number of educational conferences board members can attend. Those that did ranged from limits of two to five events per year.
4	Dollar Limits	Most funds do not have dollar limits per board member for education and travel. Funds that did had limits ranging from \$6,000 per board member to \$13,500 per board member annually. For funds that did not have dollar limits per board member, we did not find funds whose total board education costs would have exceeded \$13,500 if averaged among the board members of the fund.
5	Peer range of budget/actual expenditures	Board educational travel expense data for the peer funds for FY 2018 ranged from below \$50,000 to \$137,000 (CALPERS). CALSTRS recently increased its annual budget from \$100,000 to \$120,000 for its board educational travel.

AC QUESTION: Why “significantly less”? Quote the figure.

IA RESPONSE: Noted, we provided data comparing total costs of all three funds on page 23, although not specific to international travel. The International travel comparison between the three funds for FY 2018 is as follows:

LACERA - 14 trips totaling \$160,637 (Avg trip cost - \$11,474)

CALSTRS - 5 trips totaling \$15,100 (Avg trip cost - \$3,020)

CALPERS - 12 trips totaling \$59,940 (Avg trip cost - \$4,995)

AC QUESTION: This isn't materially different than our policy, with the exception I believe that we allow business class for domestic coast to coast travel.

IA RESPONSE: LACERA's Policy provides for business class for trips (not flights) exceeding 5 hours.

AC QUESTION: and we do, which is a good thing?

IA RESPONSE: Due to local educational events, which include trips to as far away as San Francisco or Las Vegas, not counting toward the limits, LACERA travelers often far exceed these limits in practice. Again, most of the peer funds we reviewed did not have any limits in their policies and their board travel expenditures are substantially less than LACERA.

AC QUESTION: This total \$ figure approach is just silly, as the size of the boards can vary. You need to quote these in a per capita figure for comparative purposes.

IA RESPONSE: See per capita results on page 22. LACERA incurred costs of \$26,884 per capita versus \$11,998 for CALSTRS and \$10,528 for CALPERS.

Media Articles

Government entities are held to a high standard in ensuring that public funds are used efficiently and effectively, and the uses of such funds are transparent to the public. Towards this objective, Board-related travel expenses should be reasonable and in line with what a prudent person would incur when conducting official business. Absent controls to ensure prudent spending, Board members are at a greater risk of creating the perception of impropriety (whether perceived or actual); reputation risk, from not only the media, but also our plan sponsors and members. Media coverage regarding travel by pension fund trustees focuses mainly on travel destination, premium class airfare, luxury lodging, entertainment and meals. Article headlines have included:

AC QUESTION: This borders on sensationalism. Did you find any comparison between the circumstances outline in these articles and the travel you reviewed in this audit?

IA RESPONSE: Yes

- a. Broadwater, Luke & Wenger, Yvonne. **"City Pension Officials Spend Nearly \$100,000 on Trips."** *Baltimore Sun*. March 18, 2015 www.baltimoresun.com/maryland/baltimore-city/bs-md-ci-pension-travel-20150318-story.html
- b. Avila, Jale. **"Trustees Spending Fire and Police Pension Funds on Expensive Travel."** *News 4 San Antonio*. May 3, 2018. www.news4sanantonio.com/news/trouble-shooters/news-4-trouble-shooters-uncover-abuse-of-travel-at-fire-and-police-pension-fund
- c. Einhorn, Erin & Lesser, Benjamin. **"Globetrotting Pension Fund Officials Racked up \$400,000 in Costs as Retirees, Taxpayers Foot Bill."** *New York Daily News*. April 10, 2010. www.nydailynews.com/new-york/globetrotting-pension-fund-officials-racked-400-000-costs-retirees-taxpayers-foot-bill-article-1.167070

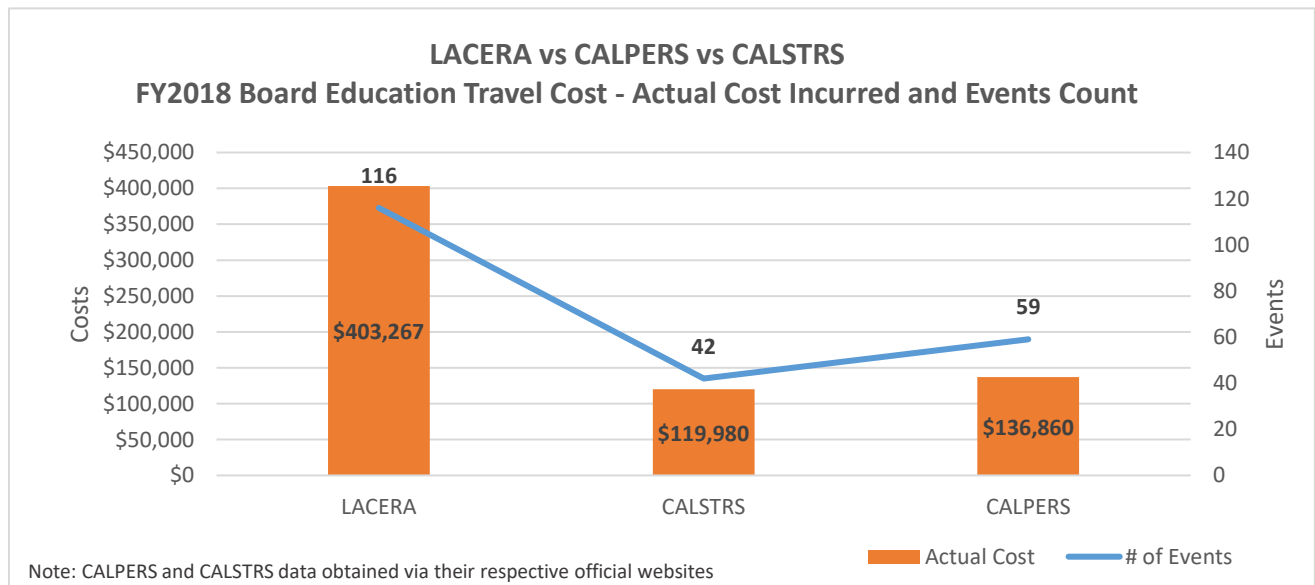
Issue: The Policy Does Not Have an Organizational-Wide Educational Strategy

In our assessment of the current Policy, we noted it does not have an overarching educational strategy that focuses on developing and improving key skills that fiduciaries generally need. Instead, the Policy focuses more on the transactional activities related to education and travel, like conference limits, lodging, and meals. The focus on transactional activities is meant to restrict the costs to reasonable and necessary expenditures but we found that for FY 2018, LACERA’s Board education travel expenditures for 15 Board Members significantly exceeded a peer comparison with CALSTRS, who had 10 board members, and CALPERS, who had 13 board members.

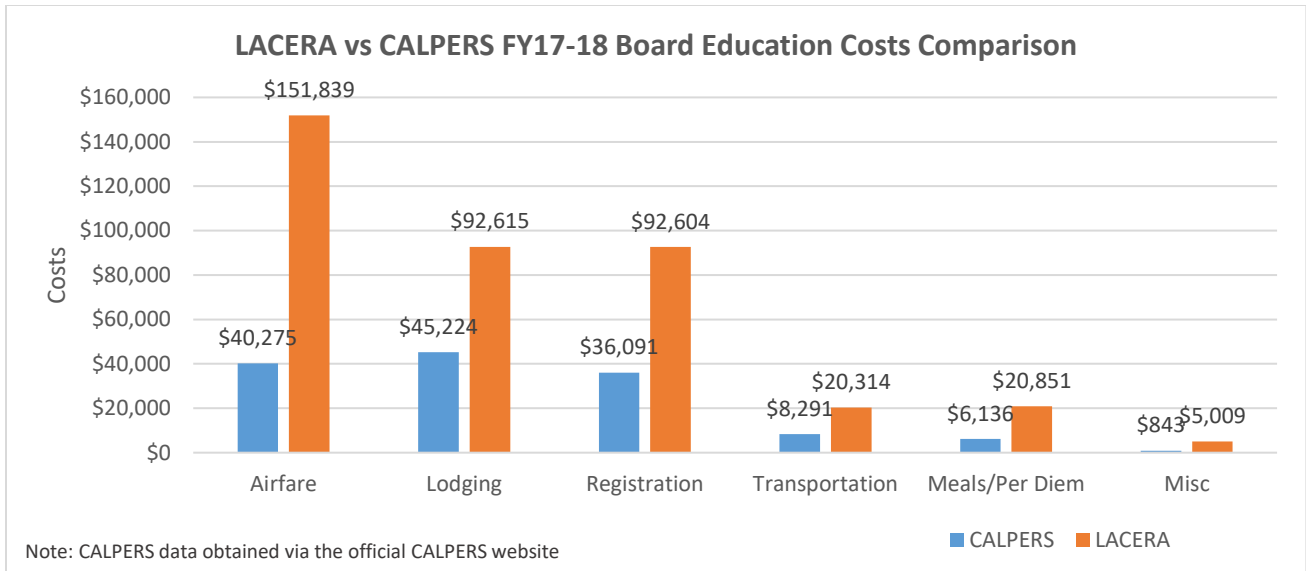
AC QUESTION: I disagree with this statement. The policy includes a value statement on the areas important for trustees – that statement are the approved conferences in the attachments. It is then up to each trustee to determine if he or she believes there is a need for him or her to enhance skills sets in those areas.

IA RESPONSE: Noted. Recommendation 10 on page 23 provides additional clarity to the statement above.

Due to the different number of board members of each fund, we calculated the average cost per Board Member: 1) \$26,884 for LACERA, 2) \$11,998 for CALSTRS, and 3) \$10,528 for CALPERS.



We noted LACERA Board Members attended between 1 to 16 educational conferences each (local and non-local), with a total travel cost ranging from less than \$1,000 to over \$55,000 per traveler. Seven Board members listed on the 4th quarter Travel Log, spent over \$25,000 for the Fiscal Year and their combined totals accounted for 79% (\$310,173) of Board educational travel.



The *Clapman* report identified concerns about relying on educational conferences as the primary form of education. The report states:

There is no lack of educational opportunities available to public pension fund trustees, and trustees as a rule are diligent about attending them. However, while trustees “devote considerable time and effort to education, primarily by attending a variety of conferences that are geared to public funds and that focus on investments,” such programs as a rule “neither encourage trustees to develop the broad vision they need to set policy, nor do they provide the practical grounding a board needs to oversee a fund’s operations.” Also, in our view many programs do not maximize “in seat” education. They may rely heavily on for-profit commercial sponsorships. Programs may also tilt the balance towards recreation and entertainment. (Attachment A, pg. 14)

The *Clapman* report accurately summarizes the reputational and operational risks that Internal Audit has identified by relying so heavily on these types of conferences for education.

AC QUESTION: You have not presented evidence to substantiate the statement that trustees are “relying on these types of conferences.”

IA RESPONSE: The LACERA Policy and practices demonstrate an emphasis on these types of conferences for education.

Furthermore, the current Policy does not establish an educational strategy that encourages continuously improving the skills a fiduciary should possess. A significant piece of the *Clapman* report’s proposed policy includes a “Trustee Knowledge Self-Assessment” which is used to assess and then develop an educational plan. Incorporating this best practice would address both an operational risk by ensuring all Board members receive an adequate amount of education in the areas needed, and a reputational risk by ensuring education expenditures can be supported.

Recommendation

10. To improve the effectiveness and adequacy of the Policy, Boards and management should:
 - a. Review the *Clapman* report’s education policy for a template of best practices.

- b. Consider adopting an organizational-wide educational strategy and incorporating the “Trustee (Fiduciary) Knowledge Self-Assessment.” Texas Teacher Retirement System and CalSTRS have both hired a consultant to assess the organizations’ requirements and preferences and to provide guidance in developing an effective educational strategy.

AC QUESTION: Define organization wide.

IA RESPONSE: LACERA

- c. Consider working with LACERA’s Training Coordinator to develop a process to create a stakeholder’s educational plan, monitor the broader educational needs of the Board for in-house training opportunities, and review and evaluate educational conferences.

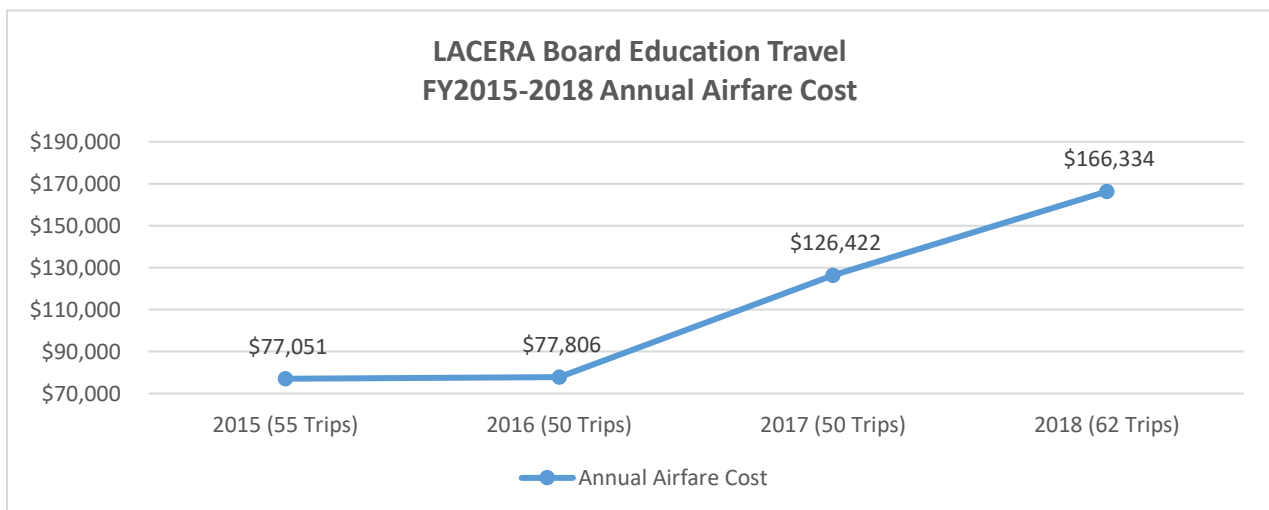
Management Response

Management concurs with this recommendation. Management will bring the issue to the JOGC for further discussion. This recommendation is expected to be completed by January 31, 2020.

Issue: Board Airfare Has Increased Substantially

Internal Audit analyzed the costs of registration, airfare, and lodging, for the last four fiscal years to gain a better understanding of the increase in Board education travel expenditures. Based on the analysis, the cost of airfare has sharply increased (see chart below). We believe LACERA’s airfare costs could be reasonably reduced by:

- Amending the Policy to reduce the frequency of business class travel, and
- Amending the Policy to revise how airline tickets are procured.



Business Class Airfare

As the chart above indicates, Board airfare has increased substantially in part due to the Policy revisions in March 2017 to allow business class travel when travel time exceeds five hours.

AC QUESTION: That chart provides no information that would allow the reader to conclude that business class is a source of the increase.

IA RESPONSE: We should have phrased it more clearly that we determined business class to be a source of the increase.

We noted the cost of the specific airline tickets below to show the cost of business class versus economy class for air travel that is generally six hours or less:

- A Board member's airfare for a domestic flight in December 2017 was approximately \$5,400. When Internal Audit priced this for a trip 14 days in advance, the most expensive direct, non-refundable, economy ticket on a major carrier was almost \$600 (Google Flights), which is 800% less than what LACERA paid.

AC QUESTION: and this was a business class ticket?

IA RESPONSE: Yes

- A Board member's airfare for a domestic flight in March 2018 was almost \$3,000. When Internal Audit priced this for a trip 14 days in advance, the most expensive direct, non-refundable, economy ticket on a major carrier was \$240 (Google Flights), which is 1150% less than what LACERA paid.
- A Board member's airfare for a domestic flight in June 2018 was approximately \$2,400. When Internal Audit priced this for a trip 14 days in advance, the most expensive direct, non-refundable, economy ticket on a major carrier was \$550. (Google Flights), which is 336% less than what LACERA paid.

Procurement of Airline Tickets

We observed from our testing that refundable tickets were purchased for some travel events. Since the current Policy does not address if or when purchasing refundable tickets is allowed, the purchases were not out of compliance with the Policy. However, since refundable tickets are often two to three times the cost of non-refundable tickets, it seems inconsistent with the Policy's general commentary on Attachment A of the Policy, "Travelers are encouraged to schedule travel in a way that minimizes LACERA's travel expenses." Staff reported that cancelations of trips are rare and that the cost of non-refundable tickets, less a nominal change fee, can be applied to future travel by the Board member.

Additionally, we noted that prudent procurement practices, such as comparing prices among at least three airlines flying to the destination, modifying dates and times of travel, and prohibiting Board members from limiting their travel to one specific airline, are not encouraged or enforced. Due to some airlines not offering business class, this sometimes results in Board members flying first class (as permitted by the policy if business class is not available) on their preferred airline and LACERA incurring costs up to \$12,500 for airfare. We did not obtain information on specific airfare procurement practices at CALPERS or CALSTRS but did not identify any airfares above \$3,000 for international business class travel.

Recommendation

11. To reduce LACERA's total airfare costs, Boards and management should:
- a. Re-evaluate the use of business class airfare.
 - b. Evaluate stronger enforcement of prudent procurement practices as described above, including prohibiting the purchase of refundable tickets.

Management Response

Management concurs with this recommendation. Management will bring the issue to the JOGC for further discussion. This recommendation is expected to be completed by January 31, 2020.

Other Best Practices Noted

We identified the following additional best practices in our review of peer public pension funds board travel practices for the Board and management to consider in future revisions to the Policy:

1. Transparency – Best practices included having the Education and Travel Policy on the Fund's public-facing website, inclusion of full estimated costs for travel in board memos requesting the board approval for travel, and providing a summary by traveler with all associated costs of all travel.
2. Centralized airline ticketing and cost management practices including the requirement that award miles earned are first used to upgrade tickets when the traveler is eligible for an upgrade to business class before the Fund incurs additional cost to upgrade the traveler.
3. Emphasis on in-house and local education first, with travel permitted when specific education is not locally available.
4. Separate the education policy from the travel procurement and reimbursement policy with all travelers required to comply with a centralized organizational policy for the procurement of travel and reimbursement of expenses. This establishes a more appropriate system of checks and balances.

We thank FASD, the Legal Office, and the Executive Office management and staff for their cooperation with our audit.

REVIEWED AND APPROVED



Date: June 20, 2019

Richard Bendall
Chief Audit Executive

REPORT DISTRIBUTION

*2019 Audit Committee
Rick Wentzel*

*Steven Rice
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*Beulah Auten
Ted Granger
Bonnie Nolley
Linda El-Farra
FASD Disbursements Staff
Internal Audit Staff*

Attachment F
Current Education and Travel Policy



Education and Travel Policy

**Approved: Board of Investments, August 14, 2019
Board of Retirement, August 7, 2019**

EDUCATION AND TRAVEL POLICY

Statement of Purpose

The Board of Retirement, the Board of Investments, and designated staff have a fiduciary duty:

- To obtain education on matters of public pension administration and investments,
- To monitor the administration and investments of the Trust,
- To monitor the work of those to whom the Board has delegated authority to administer and manage Trust assets, and
- To advocate positions that protect and further the interests of the Trust.

It is the desire and intention of the Board of Retirement and the Board of Investments to ensure that the Boards and staff may perform their fiduciary duties, by implementing an education and travel policy by which:

- Board Members and staff receive current benefit, financial policy and operational information pertinent to the administration of public pension plans, the administration and management of the retiree health care program, and the investment of public pension funds,
- When authorized by the Board, Board Members and staff may travel to advocate and communicate positions and information that protect and further the interests of the Trust, such as legislative advocacy, speaking, and internal meetings, and to participate in pension, retirement, healthcare, investment, and governance-related organizations, and
- Board Members may complete their minimum required 24 hours of “board member education” every two years as mandated by Government Code §31522.8.

The Boards desire to avoid even the appearance of impropriety in connection with education and travel. The Boards acknowledge that acceptance of gifts of travel, such as transportation, meals, and lodging by a public agency, though permitted under certain circumstances by applicable law, can create the appearance that LACERA encourages “pay to play” and may, unwittingly, create opportunities for undue influence on Board Members and staff. This policy therefore does not permit LACERA as an entity to accept gifts of travel. The Boards acknowledge that international travel, though expensive, is

EDUCATION AND TRAVEL POLICY

increasingly necessary in light of today's global economy and LACERA's ongoing prudent investment of a substantial portion of its assets outside the United States.

With respect to all travel, Board Members and staff shall incur expenses only to the extent they are reasonable and necessary for the administration of the system.

This policy applies to Educational Conference and Administrative Meetings. "Educational Conferences" are those conferences, seminars, and meetings that have an educational purpose. "Administrative Meetings" are meetings that have a non-educational purpose in furtherance of LACERA's interests, including legislative advocacy, speaking engagements, information-exchange among Board Members and between Board Members and staff, participation in pension-related organizations, and similar events.

705.00 – APPROVAL

A. Board Members

All travel by Board Members require approval of that member's Board, except as expressly provided in this policy.

1. Except as provided in Section 705.00.A.2 and 8, Educational Conferences must contain an average of five hours of substantive content per day, excluding travel days. Every Board Member is authorized to attend up to 4 approved Educational Conferences per fiscal year (of which no more than 1 may be international), and up to 6 if the Board Member is serving simultaneously on both Boards at any time during the fiscal year (of which no more than 1 may be international). "International" Conferences" are those Educational Conferences outside the United States, Canada, and Mexico. Two Educational Conferences separated by no more than one day, with no additional common carrier travel, count as one conference for purposes of this section. The necessity of Administrative Meetings shall be reviewed and authorized by the respective Board. Due to the unique nature of Administrative Meetings, this travel does not have number limits, subject to the cost limits of Section 705.00.A.2, and does not count towards the maximum approved number limits for travel unless in conjunction with an Educational Meeting.
2. Educational Conferences and Administrative Meetings in California where the total cost of attendance is no more than \$2,000 are pre-approved for attendance and reimbursement, provided that a Board Member may not incur over \$10,000 for all expenses of attending all such Educational Conferences

EDUCATION AND TRAVEL POLICY

- and Administrative Meetings in a fiscal year without Board approval. Such Educational Conferences must contain substantive content but are not subject to the five-hour per day content requirement or number limits of Section 705.00.A.1, except that the five-hour per day content requirement applies if an overnight stay is required.
3. Educational Conferences listed on Attachment C are preapproved for attendance and expense reimbursement provided all other policy requirements are met.
 4. Educational Conferences not listed on Attachment C and not covered by Section 705.00.A.2 require prior approval by the Board. Memoranda submitted to the Board seeking approval to attend conferences or meetings shall include a description of the agenda and educational or administrative purpose for the conference or meeting, the registration fee, hotel rate, estimated airfare, estimated total cost, and the number of additional travel days (if any) under Section 705.09.
 5. Attending an International Conference requires prior Board approval whether or not such conference meeting is listed on Attachment C. Not more than three Board members shall be authorized to attend the same International Conference without specific Board approval,
 6. The Board may ratify attendance at otherwise unapproved conferences, seminars and meetings for good cause explained in a written communication to the Board presented at the next available Board meeting following completion of the event.
 7. Requests for Educational Conference and Administrative Meeting attendance and travel arrangements must be made in writing and directed to the appropriate Executive Board Assistant.
 8. Prior to attending an International Benefit Conference, a Board Member is required to attend an American Health Insurance Plans (AHIP) National Policy Forum or World Health Care Congress. Prior to attending an International Investment Conference a Board Member is required to successfully complete the State Association of County Retirement Systems (SACRS) Public Pension Investment Management Program or the University of Pennsylvania Wharton School of Business Portfolio Concepts and Management course. These

EDUCATION AND TRAVEL POLICY

foundational courses do not count towards the number limits of Section 705.00.A.1.

9. Board members shall cease arranging future travel for Educational Conferences once they become aware their term of service will end. For appointed members, this occurs in the final year of their appointment and after the Board of Supervisors votes on the next appointment. For elected members this occurs if an elected member is replaced once election results are certified by the Board of Supervisors. For the Ex-Officio Member, this occurs once a retirement is announced.

- B. Staff Members. All travel by staff requires approval by each of the following: the staff member's Division Manager; the Assistant Executive Officer (AEO), if any, over such staff member; and the Chief Executive Officer (CEO). Staff members shall cease arranging future travel for Educational Conferences once a retirement, termination, or other end of LACERA employment is announced. For purposes of all staff travel approvals and decisions under any provision of this policy, the Chief Investment Officer shall have sole authority.

705.01 – AUTHORIZED EXPENSES

Authorized travel expenses for Board Members and staff shall be determined by the Boards as set forth in Attachment A. LACERA Board Members and staff shall be reimbursed for reasonable and necessary expenses incurred, and documented, in connection with LACERA business.

705.02 – COSTS OF ADMINISTRATION

Education and travel expenses for Board Members and staff shall be administrative costs of the pension fund and may not be paid through third party contracts. It is LACERA's policy that LACERA, as an agency, and its Board Members and staff shall not accept gifts of travel.

705.03 - CLAIMS FOR REIMBURSEMENT

1. Submission. An education and travel expense reimbursement shall be claimed by completing an expense voucher form available on the LACERA intranet website and submitting it to the appropriate authorizing person. Board Members may submit their expense reimbursements to their respective Executive Board Assistant and staff to their Division Manager. All expense reimbursement requests shall be accompanied

EDUCATION AND TRAVEL POLICY

by receipts and/or other reasonable documentation. Expense reimbursement records are subject to disclosure under the Public Records Act, with redaction of confidential information. The deadline for submitting an education and travel reimbursement claim is 90 days after completing the education, or 30 days after the fiscal year-end, whichever comes first. Extensions to this deadline may be granted by the Chair (for Board Members) or the CEO (for staff) upon showing good cause.

2. Approval. The Executive Board Assistants will review, for compliance with this policy, all expense reimbursement requests by Board Members prior to submission. The CEO, the AEO, if any, over a staff member, and the staff member's Division Managers will review and approve, for compliance with this policy, all expense reimbursement requests for staff prior to submission. The Financial and Accounting Services Division (FASD) will review all Board Member and staff expense reimbursement requests for compliance with this policy and shall only pay those that are in compliance. FASD will notify the Executive Board Assistants of all deficiencies in a submission by a Board Member, and the Executive Board Assistants will in turn notify the respective Board Member. FASD will notify the AEO, if any, over a staff member, and/or the CEO, and the staff member's Division Manager of deficiencies in a submission by staff. LACERA will not reimburse Board Members or staff for expenses that are not authorized under this policy unless specifically exempted by the Board (for Board members) or the CEO (for staff).

705.04 – BOARD PRIORITY WHERE ATTENDANCE IS LIMITED

Should an Educational Conference or Administrative Meeting provider limit Board Member attendance, it is the Boards' intent to provide attendance priority to the specified Board as designated in Attachment C. The basis for this designation is for the Board of Retirement Members to have attendance priority for benefit, healthcare, plan administration, and general policy conferences and for the Board of Investments Members to have priority for investment and actuarial conferences. Should a conference not listed in Attachment C be approved by both Boards, such conference will be prioritized by the CEO in the manner used to set Board Priority in Attachment C.

705.05 – SELECTION OF ATTENDEES WHERE ATTENDANCE IS LIMITED

In the event attendance at a an Educational Conference where the number of LACERA representatives that may attend is limited, the Executive Board Assistant shall canvass the Board with conference priority, per Attachment C, to identify those Board Members interested in attending. Canvassing shall only be done following Board approval for the event, unless otherwise authorized by the Board Chair. In the event more Board Members

EDUCATION AND TRAVEL POLICY

from the Priority Board desire to attend than the event provider will accommodate or this policy allows, such attendance will be determined by the appropriate priority listing as described in Attachment B. After fulfilling attendance needs for the Board with attendance priority, remaining attendance opportunity will shift to the other Board. Priority for international travel as it relates to investment events shall be given to the Board of Investments.

705.06 – CANCELTION OF TRAVEL ARRANGEMENTS

A. Responsibility for Timely Cancellation

Board Members and staff are responsible for timely canceling education and travel arrangements made on his/her behalf which will not be used so that no costs will be incurred by LACERA.

B. Responsibility for Untimely Cancellation Costs

Individuals are responsible for all costs LACERA incurs as a result of the individual's failure to cancel education and travel arrangements before cancellation charges accrue, unless the failure to cancel was due to facts or circumstances beyond the traveler's control. The traveler must reimburse LACERA within 30 days after notification of the amount due. If reimbursement is not made within such 30-day period, and payment is still due, the amount shall be deducted from any payment due the traveler from LACERA. If a Board Member is enrolled for an Educational Conference or Administrative Meeting but fails to attend or timely cancel and LACERA incurs an expense as a result (e.g., conference registration, travel and lodging cancellation fees), that conference or meeting counts toward the limit under Section 705.00.A.1 until the Board Member reimburses LACERA for all expenses incurred cancellation is excused under Section 705.06.C.

C. Approval of Cancellation Costs with Good Cause

If the individual believes the failure to cancel was due to facts or circumstances beyond their control, they must submit a written excuse to the Board Chair, or to the CEO if the individual is staff, within 30 days after receiving notification of the cancellation expenses due. For Board Members, the Board Chair will approve or disapprove the excuse in writing to the individual, with a copy to the Executive Board Assistant. If the individual is a Board Chair, then the written excuse must be submitted to that Board's Vice Chair who will then approve or disapprove the excuse. If the individual is a Vice Chair simultaneously serving as the acting Chair, then the Vice Chair's written excuse must be submitted to that Board's Secretary who will then approve or disapprove the excuse.

EDUCATION AND TRAVEL POLICY

Should a Board Member disagree with the Board Officer's determination, the Board Member may request the Executive Board Assistant to agendaize the matter for the Board's consideration.

705.07 – CASH ADVANCES

Cash advances will not be allowed unless specifically approved for Board Members by the appropriate Board and staff by the CEO.

705.08 – EXPENSES FOR TRAVELING COMPANIONS

Education and travel expenses for family members and/or traveling companions are not reimbursable by LACERA.

705.09 – ADDITIONAL TRAVEL DAYS TO MINIMIZE OVERALL TRAVEL COST

Travel resulting in arrival one day prior to and/or one day after an Educational Conference or Administrative Meeting will be reimbursed if reasonably necessary because of time constraints. Travel resulting in arrival two days prior to and/or one day after international travel will be reimbursed as reasonably necessary based on the location of the Educational Conference. In addition, lodging and per diem for extra days prior to or after an Educational Conference or Administrative Meeting will be reimbursed if such extension results in lower overall trip costs. If a Board Member or staff adds personal travel before or after a trip, the extra personal days outside of the above restrictions shall not be reimbursed. For staff, cost comparisons for trip extensions shall include the costs of salary for any work days lost by the extension. Written justification for travel expenses incurred prior to or after an Educational Conference or Administrative Meeting shall be submitted with the claim for reimbursement.

705.10 – GROUND TRANSPORTATION

Individuals will be expected to use taxis or ride sharing services (i.e., Lyft, UBER) to and from domestic destinations. Limousine or executive car services shall not be used in domestic locations unless the cost for such services is comparable to that of taxi services and/or airport parking; they may be used without restriction in international locations. Reimbursement of rental vehicles require justification and prior approval from the Chief Executive Officer. When renting a vehicle, purchase of optional insurance is not necessary as LACERA's insurance will cover the same risks.

EDUCATION AND TRAVEL POLICY

705.11 – INTERNATIONAL TRAVEL INSURANCE

LACERA will purchase travel insurance covering Board Members and staff while traveling internationally on LACERA business. The insurance will include accident, medical, security assistance and evacuation, travel assistance, trip cancelation, interruption or delay, and baggage loss or delay coverage.

705.12 – TRAVEL REPORTS

A monthly Travel Report shall be submitted to both Boards listing the current fiscal year's completed, anticipated, and canceled Education Conferences and Administrative Meetings (including whether excused under Section 705.06.C) for Board Members and staff.

A quarterly Travel Report shall be submitted to both Boards listing Board Member and staff education and administrative travel expenses paid/reimbursed by LACERA. Such report shall identify whether each item of travel was for an Educational Conference or Administrative Meeting, the purpose, location, cost by expense category, whether excused under Section 705.06.C.

The monthly and quarterly reports shall be agendized as reports for the Boards in the first month after they are available (and for privacy and personal security reasons, after travel has been completed) and shall be posted on lacera.com.

705.13 – REPORT FOLLOWING ATTENDANCE AT CONFERENCE AND SEMINARS

Board Members who attend an Educational Conference or Administrative Meeting are encouraged to report at a Board meeting the information and knowledge gained, an evaluation of the conference or meeting, and recommendation concerning future participation.

705.14 – TRAVEL BY NEWLY APPOINTED AND ELECTED BOARD MEMBERS

A person duly appointed or elected to the Board of Retirement or Board of Investments shall, for purposes of this policy, be deemed to have assumed the office of Board Member as of the date the person's appointment is approved or election is certified by the Board of Supervisors. It is the intent of this Section that incoming Board Members attend seminars and conferences as part of their orientation and preparation to assume the duties of a LACERA Board Member.

EDUCATION AND TRAVEL POLICY

For purposes of Section 705.00, seminars and conferences related to the topics listed in Government Code §31522.8 that are attended during the six months prior to the date an individual's term of office commences shall be counted towards the number of seminars and conferences that may be attended during the first fiscal year of the individual's term in office.

A copy of this policy, related policy procedures, and list of all pre-approved, approved, or likely to be approved conferences scheduled to occur during the first six months of the newly elected or appointed member's term are to be provided to each new Board Member at the beginning of his/her term.

705.15 – BROWN ACT COMPLIANCE

No more than four members of either Board are authorized to meet together to discuss LACERA business unless there is appropriate public notice of the meeting pursuant to the Ralph M. Brown Act. All meetings subject to the Brown Act must be held within the County of Los Angeles, unless otherwise permitted by the Brown Act. A person holding membership on both the Board of Retirement and Board of Investments counts as one of the members in attendance for each of the Boards. Attendance at Educational Conferences and Administrative Meetings by more than four members of a Board is not a violation of this provision.

705.16 – WAIVER OF POLICY PROVISIONS

For good cause presented in writing, and in the exercise of its sound discretion, the Board of Retirement or the Board of Investments may waive compliance with specific requirements of this policy when in the best interest of LACERA.

705.17 – APPLICABLE LAW

This policy is to be implemented in compliance with the relevant provisions of the California Government Code and other applicable law, and in harmony with existing philosophy, objectives, policies and guidelines previously approved by the Boards of Retirement and Investments.

705.18 – REVIEW

This policy shall be reviewed by the Joint Organizational Governance Committee, the Board of Retirement, and the Board of Investments annually or as needed and may be amended by both Boards at any time.

EDUCATION AND TRAVEL POLICY

Reimbursement Schedule

Attachment A

Amounts which can be reimbursed for transportation, lodging, meals, and other items are indicated as follows:

TRANSPORTATION:

Amounts which can be reimbursed for transportation, lodging, meals and other items are indicated as follows:

A. Airline Travel

1. Board Members and staff will travel in coach/economy class except that they may travel in business class or its equivalent for:
 - a. Flights having a scheduled non-stop flight time or total connecting travel time from original departing airport to the final destination airport of five hours or more, and
 - b. Red-eye flights. "Red-eye flights" are defined as flights in which a majority of the flight time occurs between 10:00 PM and 6:00 AM.
 - c. Flights arriving or departing at an international location, including Canada and Mexico.
2. LACERA will reimburse the additional cost of coach/economy class seats advertised as having additional leg room regardless of flight time.
3. Air travel will only be reimbursed at the lowest available fare at the time of purchase (for class travel authorized under this Policy) offered by United, American, or Delta for the dates of travel. Other carriers are authorized, but reimbursement shall not exceed this limitation.
4. Recognizing air carriers have begun charging for incidental items historically included in the ticket price (for example, checking luggage, providing pillows, blankets, and non-alcoholic beverages during flights, etc.), LACERA also will reimburse carrier charges for such incidental items upon submission of an itemized receipt. Alcoholic beverages will not be reimbursed.
5. Substantiation of airline travel shall include a copy of the ticket or E-mail confirmation showing the cost of the air travel.

EDUCATION AND TRAVEL POLICY

Reimbursement Schedule

Attachment A

6. Board Members and staff traveling by air to conduct LACERA business may use only regularly-scheduled airline services operating by an air carrier certified by the Federal Aviation Administration or comparable foreign authority. Board Members and staff are prohibited from traveling on LACERA business via private aircraft, including but not limited to aircraft owned, leased, or rented by the individual Board Member or staff. Persons traveling on LACERA business via private aircraft will be deemed to be acting outside the scope of their responsibilities and employment. They will not be covered by LACERA's liability insurance.

B. Other Common Carrier Travel

1. Travel permitted under this policy should be accomplished in the most cost-effective and efficient manner practicable, considering the costs of the mode of transportation, travel time, accommodations, and per diem.
2. Generally air travel is the most cost-effective and efficient means for long distance travel, with "long distance travel" defined as a travel to a site more than 600 miles from LACERA's headquarters.
3. Where a traveler has special travel needs or concerns such that travel by air for long distance travel is not practicable, then the traveler may use an alternate common carrier (e.g., train or bus) and incur such reasonable expenses associated with that mode of travel (e.g., sleeper car, additional days of per diem).
4. Substantiation of other common carrier travel shall include a copy of the ticket or E-mail confirmation showing the cost of the travel.

LODGING:

A. Room Cost

Reimbursement is limited to a standard class single room rate, including mandatory taxes and hotel fees. Actual expenses for lodging will be reimbursed upon submittal of receipts. For example, room upgrades, and bed & breakfast additions will be at the expense of the traveler, unless for good cause such as the unavailability of standard rooms and/or international destinations.

EDUCATION AND TRAVEL POLICY

Reimbursement Schedule

Attachment A

B. Government Rates

Board Members and staff traveling on LACERA business should always request government rates when making reservations and/or checking in. LACERA recognizes that the governmental rate offered for local governmental entities like LACERA may be higher than the federal government rate, or may not be available at all, especially in connection with international travel.

C. Attendance at Educational Conferences, Administrative Meetings, and Investor Meetings

LACERA acknowledges that the cost of a standard room at an event hotel may exceed the standard lodging reimbursement rate. Nevertheless, Board Members and staff attending events may stay at the designated hotel to promote convenient access, networking, and safety. Reimbursement for lodging at an event is limited to the standard room rate charged by the event hotel unless for good cause such as the unavailability of standard rooms and/or international destinations. When lodging at the event hotel is unavailable, reimbursement is limited to the best available rate for a standard room at a nearby hotel of comparable quality. The traveler will be responsible for any excess cost. This also applies for staff attendance at investor meetings.

D. Travel Not Connected With An Established Hotel Venue

The maximum lodging amounts are intended to cover the cost of lodging at adequate, suitable and moderately-priced facilities located near the destination city's airport or the specific area in the destination city where LACERA's business will be conducted without association with an established hotel venue. Reimbursement for lodging connected with such travel is limited to:

1. Domestic: Not more than three times the regular per diem rate for the location as established from time to time by the Internal Revenue Service, found at www.gsa.gov (click on "per diem rates").
2. International: Not more than three times the rate for the location as established from time to time by the United States Department of State, found at: www.state.gov/m/a/als/prdm.

EDUCATION AND TRAVEL POLICY

Reimbursement Schedule

Attachment A

MEALS:

It is the policy's intent for the traveler to be reimbursed for meals not pre-paid for by LACERA. As such, LACERA will not reimburse the traveler for a meal which has been pre-paid for by LACERA (e.g., when conference registration includes meals), whether or not the traveler consumed the meal, except where the traveler could not consume the pre-paid meal because:

1. The traveler has special dietary or medical concerns, or
2. It was reasonably necessary for the traveler to conduct LACERA business (e.g., meet with an investment advisor) while the pre-paid meal was being served.

Written justification as to which of the above two exceptions applies will be provided with the reimbursement request.

Likewise, LACERA will not reimburse the traveler for a meal paid for by a third party.

Meal Reimbursement

Reimbursement for meals shall, at the traveler's option, be based either on "The Per Diem Method" or "The Actual Receipt Method." The traveler may use both the Per Diem Method and the Actual Receipt Method of reimbursement on a single trip, so long as only one method is used per calendar day.

A. The Per Diem Method

1. Under the Per Diem Method the traveler agrees to accept a flat rate for meal expense for actual meals eaten and is not required to submit receipts.
2. The per diem allowance will be computed using the Meals & Incidental Expenses rate (the M&IE Rate) published by the Internal Revenue Service and in effect on the date of travel for the locality of travel.
3. The per diem allowance shall be claimed in accordance with the Meals & Incidental Expenses Breakdown (M&IE Breakdown) per the IRS, based on the M&IE Rate. The portion of the per diem the traveler receives depends upon when the travel occurs. For example, if the travel occurs during normal

EDUCATION AND TRAVEL POLICY

Reimbursement Schedule

Attachment A

breakfast and lunch times, the traveler receives the per diem for breakfast and lunch; if the travel occurs during normal lunch and dinner times, the traveler receives the per diem for lunch and dinner, etc.

B. The Actual Receipt Method

1. Under the Actual Receipt Method, reimbursement shall be requested only for the actual cost paid for a meal.
2. Actual cost reimbursed will not to exceed \$100 per day, provided that in no case will the cost of alcoholic beverages be reimbursed.
3. Receipts shall include the following information:
 - a. meal cost amount, and
 - b. Date and location.
4. Credit card receipts are sufficient provided they include the required information.
5. Annotating the meal receipt with the business purpose for the meal will assist staff with processing reimbursements, and if the receipt is for more than the individual, the names of persons whose meals are covered by the receipt.
6. If a host provides a meal, and actual expenses are not incurred, then that meal should be excluded from reimbursement

PORTERAGE:

1. Maximum reimbursement for Porterage is \$10 per day of travel (that is, days involving transportation from home to a travel location, from one travel location to another, and from the final destination to home).
2. Porterage shall be based on the actual amount expended and documented on the claim form.

EDUCATION AND TRAVEL POLICY

Reimbursement Schedule

Attachment A

3. Porterage may not be claimed if reimbursement for meals is claimed using the Per Diem Method, as the Per Diem Method's IRS tables already factor in porterage reimbursement.

PARKING: Parking, including airport parking, will be reimbursed at actual rate (receipt required).

MILEAGE: Use of a personal vehicle will be reimbursed on a per mile basis at the rate approved by the Internal Revenue Service as of the date of travel.

OTHER BUSINESS EXPENSES: Other business expenses reasonably incurred in connection with LACERA business, such as business and personal telephone, fax, internet access, gym access (including the standard gym fee charged by the traveler's hotel or, if hotel gym access is not available, the reasonable cost of daily access to a local gym or health facility), dry cleaning, and similar business expenses, shall be reimbursed upon submittal of receipts. The cost of membership in TSA Pre, Global Entry, NEXUS, SENTRI, or other expedited security and border processing programs shall be reimbursed upon submittal of receipts. Technology needs, for both international and domestic travel, may be discussed with the Systems Division in advance to develop appropriate solutions for the traveler's needs and to manage cost.

Reimbursement for lost or damages property is subject to a separate policy to be developed.

EDUCATION AND TRAVEL POLICY
Board Member Priority
Attachment B

PROCEDURE FOR SELECTION OF ATTENDEES
AT EDUCATIONAL CONFERENCES WHERE
ATTENDANCE IS LIMITED

The following procedures apply to authorize attendance at Educational Conferences where attendance is limited.

A. Board Member Priority Listings

1. Each Board shall keep separate Board Member Education Priority Listings.
2. Each Board shall keep two listings:

- a. Domestic Priority List

Events held in the United States shall be considered domestic events for purposes of this policy.

- b. International Priority List

Events held outside of the United States shall be considered international events for purposes of this policy.

3. Board Member Priority Listings will be maintained by the Executive Board Assistants.

B. Creating Priority Listings

1. Each Board member will be assigned an Initial Priority Date.
2. The Initial Priority Date will be the later of:
 - a. Board of Supervisor's Appointment date (includes Treasurer Tax Collector), or
 - b. Board of Supervisor's Election Certification date, or
 - c. Date the Board Member last attended a Domestic/International event, as appropriate for list being created.
3. In the event the Board Member is serving concurrent elected or appointed terms, the Appointment/Election date will be earliest date in the current

EDUCATION AND TRAVEL POLICY

Board Member Priority

Attachment B

concurrent term of service. Board service will be bridged if the break in Board service is less than 18 months. Bridging Board service provides equity between the regularly appointed members and regularly elected members.

4. The Executive Board Assistant will sort the Board Members by Initial Priority Date. The Board Member with the oldest date will have the highest priority and the Board Member with the newest date will have the lowest priority.
5. In the event more than one Board Member has the same Initial Priority Date, the priority will be determined for such members by last name alphabetically.

C. Updating a Priority List

1. Board Members who attend a Domestic/International event will be placed at the bottom of the respective list.
2. Board Members who have a break in Board service for a period more than 18 months will have their names placed at the bottom of the respective lists upon return to Board service.
3. Using the Initial Priority Date method, new Board Members joining their respective Boards will be placed at the bottom of the respective lists.

D. Selection of Board Members Authorized to Attend

When the number of Board Members interested in attending an event exceeds the number of attendees permitted by the sponsor, the Executive Board Assistant will document members indicating an interest in attending (Interested Members). Interested Members shall be authorized to attend in accordance with their priority on the applicable Priority List. Upon being authorized to attend, the Board Member shall be placed at the bottom of the Priority List.

In the event a Board Member authorized to attend in accordance with the above paragraph later decides not to attend, such Board Member's position on the Priority List shall be restored to its former position, and the next Interested Member on the Education Priority List shall be authorized to attend.

EDUCATION AND TRAVEL POLICY
Board Member Priority
Attachment B

In selecting Board Members to attend events, a Board Member shall not be considered as an Interested Member if such Board Member is disqualified from attending pursuant to the limitations imposed by Section 705.06.

EDUCATION AND TRAVEL POLICY
Pre-Approved Conferences and Board Priority
Attachment C

Board Priority Listing
for Pre-Approved Educational Conferences

Conference/Seminar/Meeting	Priority	
	Board of Retirement	Board of Investments
America's Health Insurance Plans (AHIP) conferences, seminars, and meetings	✓	
America's Health Insurance Plans (AHIP): Annual Institute; Annual Medicare Conference; Annual National Policy Forum	✓	
California Association of Public Employee Retirement Systems (CALAPRS) Principles of Pension Management Course at Stanford Law School	✓	
CALAPRS meetings, conferences, seminars and periodic roundtables	✓	
California Retired County Employees Association (CRCEA) semi-annual conferences	✓	
Council of Institutional Investors (CII) conferences and meetings		✓
Federal and state legislative hearings on pension and retirement health care issues	✓	
Goldman Sachs conferences and educational meetings		✓
Government Finance Officers Association (GFOA) conferences, seminars and meetings	✓	
Harvard Kennedy School, Trustee Leadership Forum for Retirement Security, Initiative for Responsible Investment		✓

EDUCATION AND TRAVEL POLICY
Pre-Approved Conferences and Board Priority
Attachment C

Board Priority Listing
for Pre-Approved Educational Conferences

Conference/Seminar/Meeting	Priority	
	Board of Retirement	Board of Investments
Harvard Law School Labor and Work Life Conference and Capital Matters Conference		✓
International Foundation of Employee Benefit Plans (IFEBP) Annual Employee Benefits Conference	✓	
International Foundation of Employee Benefit Plans (IFEBP) Annual Benefits Conference for Public Employees	✓	
International Foundation of Employee Benefit Plans (IFEBP) Annual Health Care Cost Management Conference	✓	
International Foundation of Employee Benefit Plans (IFEBP) Annual Investments Institute		✓
International Foundation of Employee Benefit Plans (IFEBP) Annual Washington Legislative Update Conference	✓	
Information Management Network (IMN) Beneficial Owners' International Securities Lending Summit Annual Conference		✓
Institutional Limited Partners Association (ILPA) conferences and meetings		✓
International Corporate Governance Network (ICGN) domestic conferences and meeting		✓
Milken Institute domestic conferences and meetings		✓

EDUCATION AND TRAVEL POLICY
Pre-Approved Conferences and Board Priority
Attachment C

Board Priority Listing
for Pre-Approved Educational Conferences

Conference/Seminar/Meeting	Priority	
	Board of Retirement	Board of Investments
National Association of Corporate Directors (NACD) Conferences		✓
National Association of Securities Professionals Annual Pension and Financial Services Conference		✓
National Conference on Public Employees Retirement Systems (NCPERS) meetings, conferences and workshops	✓	
National Institute on Retirement Security (NIRS) conferences, seminars, and meetings	✓	
Pacific Pension Institute (PPI) domestic conferences, seminars, and meetings		✓
Pension Real Estate Association (PREA) annual spring and fall conferences and institute		✓
Public Retirement Journal conferences and seminars	✓	
State Association of County Retirement Systems (SACRS) meetings, educational conferences, seminars and symposiums	✓	
United Nations Principals of Responsible Investing (UNPRI) events		✓
University of Pennsylvania Wharton School's Pension Fund and Investment Management and the Portfolio Concepts and Management courses.		✓

EDUCATION AND TRAVEL POLICY
Pre-Approved Conferences and Board Priority
Attachment C

Board Priority Listing
for Pre-Approved Educational Conferences

Conference/Seminar/Meeting	Priority	
	Board of Retirement	Board of Investments
World Healthcare Congress conferences, seminars and meetings	✓	
World Pension Forum domestic conferences		✓



November 6, 2020

TO: Trustees,
Board of Retirement
Board of Investments

FROM: Santos H. Kreimann *SHK*
Chief Executive Officer

Ted Granger *TG*
Interim Chief Financial Officer

FOR: Joint Organizational Governance Committee Meeting – November 17, 2020

SUBJECT: Review of Mosaic Travel Policy Recommendations and Recommendation of Revised Travel Policy

Background

At the September 30, 2020 joint meeting of the Board of Retirement (BOR) and Board of Investments (BOI), the Trustees referred the Mosaic Governance Advisors, LLC Review of Education and Travel Policy, Expenses, and Practices Summary Report to the Joint Organizational Governance Committee (JOGC) for further review.

At the October 27, 2020 JOGC meeting, staff presented education specific recommendations identified in the Mosaic Report for review by the JOGC committee members. Key findings from the June 2019 LACERA Internal Audit report were also provided for further consideration and direction to staff.

At the November 17, 2020 JOGC meeting, staff plans to take the next step in review of the current policy by requesting the JOGC's input and direction with respect to Mosaic's travel recommendations. The JOGC's input will assist in formulating travel principles and administrative procedures needed to guide staff in making travel arrangements, processing expense claims, and ensuring the proper use of LACERA resources to support the fiduciary duty of the Trustees and enhance the ability of staff to meet the Mission of the office to produce, protect and provide the promised benefits to our active members, retirees and beneficiaries. Following the discussion, and subject to the committee's direction, staff expects to collate the JOGC's discussion and prepare a Travel Policy and Procedures for the next joint Board meeting agenda on December 16th for further consideration and approval by both Boards.

Legacy LACERA Education and Travel Policy

The existing LACERA Education and Travel Policy (LETP) was most recently updated in August 2019. Prior to that, the LETP was revised by the Boards in March 2017.

The updates to the revised LETP approved by the Boards in August 2019 have resulted in a 62% decrease in travel expenditures and a 33% reduction in the number of trips per traveler when compared to the same nine-month period year-over-year, July through March of 2019 and 2020. While the new travel procedures appear to provide stronger

checks and balances for cost containment and travel approval purposes, the trip sample size and nine-month observation window that was severely restricted due to the COVID-19 travel restrictions, may be too limited and too short a period of time to offer any real empirical data to prove its effectiveness.

Historically, the LETP has contained a mixture of Trustee educational requirements, travel policy guidelines and actual travel expense reimbursement procedures. Some of the language requires interpretation by management and staff, and as Mosaic pointed out, these rules may be applied inconsistently to LACERA travelers. In addition, LACERA accounting staff and executive board assistants processing expense claim reimbursements can become confused when applying the rules thus spending additional time and effort making attempts to interpret language contained in the LETP. In other words, sometimes staff need prescription guidance within the travel procedures so there is less room for judgement, which will result in a more uniform application of the rules and increased efficiency in the use of staff time.

Mosaic Report

The Mosaic Report provided a list of recommended actions for LACERA to consider regarding separating its travel policy and administrative procedures. These recommendations define prescriptive actions such as adding information or enhancing specific information in the current Travel Policy. Although Mosaic's expense audit ended before the August 2019 policy changes were approved by the Board, its policy view and recommendations were based on review and analysis of the current policy (Mosaic Report, footnote 6.) Mosaic recommended that a principles-based Travel Policy, as compared to the current rules-based document which includes education, will provide an overall framework for Trustee travel management and cost containment. The consultant recommended a separate document, the Travel Administration Procedure and Guidelines (Travel Procedures), currently under development and part of this discussion, which will document administrative procedures and methods used to incur and claim allowable Trustee trip expenditures.

Policies applicable to Trustees and staff will be maintained separately, with the staff policy kept under the discretion of the Chief Executive Officer, and for investment office staff, the Chief Investment Officer.

Travel Policy Values

Values can be defined as fundamental truths or propositions that serve as the foundation for a system of internal beliefs or behaviors or for a chain of reasoning. Rules are referred to as a set of explicit or understood regulations governing conduct within a particular activity or sphere. Mosaic recommended a principle-based Travel Policy separate from rule-based administrative procedures.

LACERA's Mission is to produce, protect and provide the promised benefits on behalf of our members. As such, LACERA develops its organizational goals and strategic initiatives with key values in mind. These key values include but are not limited to:

- Diligently serving the interests of our members;

- Discharging our fiduciary duties and management responsibilities with care and integrity;
- Maintaining our member's trust and staff's respect through our words, deeds, decisions and daily interactions;
- Being sensitive and mindful of how we spend and invest our member's retirement funds; and
- Educating, training, and preparing Board Trustees will improve the work culture for LACERA employees and enhance the future stability of the organization's business operations.

These organizational values compel us to be innovative and resolute in the application of our talents and skills in resolving issues for the benefit of our members. They also require us to be disciplined yet flexible in the development and implementation of policies and procedures that will help guide decisions and ensure the proper deployment of resources, the lowering of administrative costs, and the fostering of a positive work culture and safe environment for our employees. These organizational values and objectives are laudable and should be executed with great urgency and enthusiasm by the leadership and staff on behalf of our members.

Travel associated with education on LACERA's behalf is a component of building the knowledge base and operational understanding of our Trustees given their fiduciary responsibilities. Consequently, education could be described as an investment in the development of LACERA Trustees that over the long term will benefit the LACERA members individually and collectively. This investment in leadership will return dividends to LACERA through networking opportunities and sharing of ideas with peers across the nation, garnering additional knowledge and education at seminars and conferences regarding specific pension, investment and healthcare topics, which will allow Trustees to make informed policy decisions. In some circumstances, travel may be required for Trustees to discharge their fiduciary duties and provide proper governance oversight of the pension system and healthcare benefits program.

Travel Policy Principles

In order to develop travel procedures based on principles, the presiding principles themselves need to be defined. Below is an outline of concepts that may be considered by the JOGC committee members in developing the travel procedures and protocols:

A. Member-Centric Concentration

Trustees have a fiduciary duty to make policy decisions that follow the law including the constraints place by the organization's budget. At the same time, travel may be necessary to support and enhance LACERA's Mission which is largely member focused.

- i. Travelers are expected to be and believed to be mindful and financially prudent in all travel and trip-related expenditures that consume resources funded by LACERA members.
- ii. All monies held in the Fund by LACERA are ultimately due and payable in the form of pension benefits to active and retired members. Therefore, all

administrative, operational and travel expenditures should be able to withstand the scrutiny of our members, stakeholders, plan sponsors and the public at large, thereby minimizing any reputational risk to LACERA.

- iii. Travelers are accountable for their actions and responsible for appropriate use of organizational resources and establishing policy creating limits and constraining expenditures. Travel policies for staff can be more restrictive depending on circumstances and financial constraints.

B. Transparency

Travel administrative procedures and guidelines are established and carried out in a manner that is easy for members to identify actions taken by Travelers.

- i. Expenses incurred for travel and trips are clearly identifiable as business-related expenses only, not for personal expenses of the traveler or any traveling companions.
- ii. Travel expenses and trip information are reported to LACERA members and stakeholders via a public forum.
- iii. Travelers recognize and accept their accountability and responsibility to LACERA members for travel and trip expenditures which are charged to LACERA.
- iv. All Travelers acknowledge and sign a travel attestation document confirming their commitment to act responsibly and prudently and in the best interest of LACERA members.

C. Simplicity, Uniformity and Consistency

Travel administrative procedures and guidelines for claiming and reimbursing expenses are designed to be simple, uniform, and consistent, and should not be overly onerous so as to negatively affect travelers.

- i. Travel procedures should be a guide with simple, unambiguous rules for making and approving travel arrangements, and for the timely processing and accounting of trip related expenditures and reimbursements.
- ii. Travel expenditures are documented on expense claims that are clear and concise.
- iii. Travel expense reimbursement processes should be clear, consistent, transparent, convenient, efficient, and compliant with the Travel Policy.
- iv. Travel expense methods are simple and universally applied so the reimbursement claim process is streamlined (e.g., all meals are claimed under the per diem method).
- v. Travel procedures, including administrative expense guidelines and reimbursement process, are included in a separate document maintained and administered by staff.

D. Ease of Execution

Travel administrative procedures and guidelines are established with administrative ease and designed to reduce the manual processes and the considerable effort

required of staff. Processes related to travel reimbursements and processing expense claims should not be cumbersome and complicated for staff and travelers.

- i. Travel accommodations and traveler conveniences are streamlined and provide a group of appropriate choices instead a vast menu of options.
- ii. The process itself of conducting travel bookings and expense processing are considered a priority.
- iii. Expense categories, reimbursement process, and claim forms are periodically reviewed and updated by staff.
- iv. Travelers, not proxies, are responsible for obtaining, gathering, and submitting the appropriate documentation justifying expenditures in a timely manner.
- v. External providers including travel agents and other travel-related industry services are to be considered and integrated into the process for traveler and administrative ease.
- vi. Technological tools for capturing and recording trip documentation are employed where reasonable and necessary considering cost implications.
- vii. Practices will periodically be reviewed to ensure best practices and industry norms are included within the Travel Policy.

Travel Administrative Procedures, Rules, Guidelines

As noted in all three recent audit reports, including the Mosaic report referenced above and the two audit reports which are described below, the current travel administrative procedures can be clarified streamlined and improved. The Mosaic report includes a process where the Trustees develop and maintain a principles-based Education Policy coupled with travel protocols that are flexible and instructive that includes specific and detailed travel expense and reimbursement process, procedures, rules and guidelines for ease of administration. The attached slides (Attachment I) include a discussion of Travel Policy development based on the audit recommendations. The slides also include proposed updates to the existing Travel Policy (travel procedure items from Reimbursement Schedule – Attachment A), with alternatives presented for the JOGC's consideration. The Appendix within the slide deck includes recommendations from the Mosaic report that address travel administrative procedures and rules. Staff will develop internal procedures and guidelines to process travel expense claims using the suggestions garnered from the JOGC discussion.

The Boards' Travel Policy and Travel Procedures will be reviewed by the JOGC every three years. The staff Travel Policy and Procedures, rules and guidelines will be developed and maintained by CEO and CIO, respectively.

Travel Expense Reporting

As Mosaic noted within their report, the current LACERA monthly and quarterly Travel Reports prepared by staff and provided to the Board Trustees have a narrow event attendance and cost-related focus. The monthly report, for example, is a list of trips completed by Trustees from the beginning of the fiscal year to the most recent reporting month. Since Trustee travel has been significantly reduced over the last few months due to

the pandemic, this monthly report has been updated to also include events attended virtually or online by Trustees.

The Quarterly Travel Report provides the expense details of each trip the Trustees have attended, accumulating data from the beginning of the fiscal to the current reporting month.

The Travel reports for LACERA staff are prepared in the same manner as the Trustee reports and included on the Board agenda. Mosaic questioned the need to report staff travel to the Boards, indicating that the monitoring and oversight of staff travel should fall under the direction of the CEO and CIO. As such, staff will work internally to develop more meaningful travel expenditure reports. As Mosaic indicated, the reports will provide additional cost information and analytics to help the Boards make decisions on how to monitor and expend travel resources. The reporting structure and frequency will be updated based upon the Travel Policy methods and administrative procedures determined, and Trustee input received. The CEO shall provide the Boards quarterly reports concerning the amount and type of trustee education.

Other Audit Reports

In June 2019, Internal Audit issued their Board and Staff Education and Travel Audit, and addressed the operational risks associated with travel. A summary of the issues and recommendations from the report were to improve, enhance and/or strengthen the following:

- Travel Policy enforcement by FASD staff;
- Expense claim completion process and receipt submission process;
- Process of obtaining documentation from travelers;
- Travel Policy training for staff;
- Travel Policy review process for rule interpretation and/or Policy revision;
- Quarterly Travel report accuracy;
- Definition of administrative travel and local travel;
- Organization-wide educational strategy; and
- Practices regarding airfare purchases.

In November 2019, The Los Angeles County Auditor-Controller completed and issued an audit report, which contained recommendations related to LACERA's Travel/Training–Travel Policy. The recommendations address a wide range of cost control measures including:

- Strengthening requirements on pre-approvals, requiring lowest overall price, and prohibiting meal reimbursements when meals are provided at the event;
- Use of an in-house centralized travel process or an external vendor;
- Submitting proof of attendance at conferences/meetings and developing a reporting back process;
- Revising the LACERA Education and Travel Policy reporting;
- Establishing cost effective training which would include local, web-based and in-house events; and
- Developing organizational and/or individual training/educational goals.

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Staff has reviewed these recommendations from both audit reports and request guidance from the JOGC on how best to handle the implementation of any recommendations contained in the Mosaic report and/or from and findings included in the internal or external audits mentioned above.

To facilitate that discussion, the attached slides include a review of the Mosaic Travel Recommendations (Attachment I).

Attachments

c: Jonathan Grabel
Steven P. Rice
JJ Popowich
Richard Bendall

Travel Policy Discussion.JOGC.Nov2020_Final_5.doc

Review of Mosaic Travel Policy Recommendations

Joint Organizational Governance Committee Meeting
November 17, 2020

Meeting Plan to Address Mosaic Report Recommendations

Review all 49 recommendations in Mosaic Report:

- Education Policy issues (25) – presented at the October 27th JOGC meeting.
- Travel Policy issues (24) – direction provided by the JOGC today.

These meetings will also address the recommendations in the June 2019 Internal Audit report and the November 2019 County audit report, most of which are travel-related.

Today's JOGC direction is expected to be incorporated into a Travel Policy and Procedures document for further consideration at a joint Board meeting on December 16th and approval by both Boards

TRAVEL POLICY & THE CEO

MOSAIC RECOMMENDATION 2.15

- Move the procedural detail, including those related to expense reimbursement, from the Policy to a travel procedures document that is maintained by the CEO. Mosaic recommends that LACERA capture the Boards' principles and positions on Trustee travel in a standalone Board travel policy and that administrative procedures be removed from the Policy document and delegated to the CEO.

TRAVEL POLICY DEVELOPMENT

STATEMENT OF PURPOSE

- Statement of Purpose Identifies the rationale for the policy and acknowledges the Board's collective and Trustees' individual fiduciary duty.

TRAVEL POLICY DEVELOPMENT

MOSAIC RECOMMENDATION 2.14

- Develop a standalone principles-based Board travel policy that addresses the recommended elements.

TRAVEL POLICY DEVELOPMENT

EXAMPLES OF PRINCIPLES

- Covered travelers are expected to use prudence, discretion, and good judgment to ensure that all expenses incurred are authorized, reasonable, and necessary.
- A traveler is expected to make travel arrangements in the most economical manner to the system, in consideration of the traveler's schedule.
- Travel should be conducted in relation to and support of the board's governance responsibilities, individual trustees' development plans, system's specific education competencies and curriculum, and the strategic plan.
- Local, in-state, and in-country opportunities should be emphasized over international opportunities, where possible.
- Prohibition on receiving gifts of travel or traveling for events that can create the appearance of "pay-to-play" or other such impropriety.
- Appropriate and timely reimbursement shall be made for expenses incurred in the completion of duties.

TRAVEL POLICY DEVELOPMENT

CONCEPTUAL PRINCIPLE A: MEMBER-CENTRIC CONCENTRATION

- Trustees have a fiduciary duty to make policy decisions that follow the law including the constraints place by the organization's budget. At the same time, travel may be necessary to support and enhance LACERA's Mission which is largely member focused.
- Travelers are expected to be and believed to be mindful and financially prudent in all travel and trip-related expenditures that consume resources funded by LACERA members.
- All monies held in the Fund by LACERA are ultimately due and payable in the form of pension benefits to active and retired members. Therefore, all administrative, operational and travel expenditures should be able to withstand the scrutiny of our members, stakeholders, plan sponsors and the public at large, thereby minimizing any reputational risk to LACERA.
- Travelers are accountable for their actions and responsible for appropriate use of organizational resources and establishing policy creating limits and constraining expenditures. Travel policies for staff can be more restrictive depending on circumstances and financial constraints.

TRAVEL POLICY DEVELOPMENT

CONCEPTUAL PRINCIPLE B: TRANSPARENCY

- Travel administrative procedures and guidelines are established and carried out in a manner that is easy for members to identify actions taken by Travelers.
 - Expenses incurred for travel and trips are clearly identifiable as business-related expenses only, not for personal expenses of the traveler or any traveling companions.
 - Travel expenses and trip information are reported to LACERA members and stakeholders via a public forum.
 - Travelers recognize and accept their accountability and responsibility to LACERA members for travel and trip expenditures which are charged to LACERA.
 - All Travelers acknowledge and sign a travel attestation document confirming their commitment to act responsibly and prudently and in the best interest of LACERA members.

TRAVEL POLICY DEVELOPMENT

CONCEPTUAL PRINCIPLE C: SIMPLICITY, UNIFORMITY, AND CONSISTENCY

- Travel administrative procedures and guidelines for claiming and reimbursing expenses are designed to be simple, uniform, and consistent, and should not be overly onerous so as to negatively affect travelers.
 - Travel procedures should be a guide with simple, unambiguous rules for making and approving travel arrangements, and for the timely processing and accounting of trip related expenditures and reimbursements.
 - Travel expenditures are documented on expense claims that are clear and concise.
 - Travel expense reimbursement processes should be clear, consistent, transparent, convenient, efficient, and compliant with the Travel Policy.
 - Travel expense methods are simple and universally applied so the reimbursement claim process is streamlined (e.g., all meals are claimed under the per diem method).
 - Travel procedures, including administrative expense guidelines and reimbursement process, are included in a separate document maintained and administered by staff.

TRAVEL POLICY DEVELOPMENT

CONCEPTUAL PRINCIPLE D: EASE OF EXECUTION

- Travel administrative procedures and guidelines are established with administrative ease and designed to reduce the manual processes and the considerable effort required of staff. Processes related to travel reimbursements and processing expense claims should not be cumbersome and complicated for staff and travelers.
- Travel accommodations and traveler conveniences are streamlined and provide a group of appropriate choices instead a vast menu of options.
- The process itself of conducting travel bookings and expense processing are considered a priority.
- Expense categories, reimbursement process, and claim forms are periodically reviewed and updated by staff.
- Travelers, not proxies, are responsible for obtaining, gathering, and submitting the appropriate documentation justifying expenditures in a timely manner.
- External providers including travel agents and other travel-related industry services are to be considered and integrated into the process for traveler and administrative ease.
- Technological tools for capturing and recording trip documentation are employed where reasonable and necessary considering cost implications.
- Practices will periodically be reviewed to ensure best practices and industry norms are included within the Travel Policy.

TRAVEL POLICY DEVELOPMENT

DELINIATION OF RESPONSIBILITIES

- Responsibilities of the Boards, Individual Trustees, and CEO addresses oversight of the travel policy, the responsibility to become familiar with the travel policy and procedures prior to embarking on business travel, and other expectations around maintaining and enforcing the travel procedures.

TRAVEL POLICY & THE CEO

MOSAIC RECOMMENDATION 1.9 and 1.10

- Require that the CEO's expense reports be approved by the BOR Chair.
- Direct Trustee questions of Policy Interpretation to the CEO

TRAVEL PROCEDURES & EXPENSE REVIEW

MOSAIC RECOMMENDATION 1.13 (Schedule A)

- Adopt a consistent approach to reimbursing expenses incurred in a foreign currency.

TRAVEL PROCEDURES & EXPENSE REVIEW

REIMBURSEMENT OF FOREIGN CURRENCY EXPENSES

CURRENT POLICY

- The current policy does not address this subject

ALTERNATIVE 1

Ease of Administration

- Any request for reimbursement of foreign currency expenses will require a currency conversion detail from Oanda: <https://www1.oanda.com/currency/converter/>
- For multiple days of currency conversion, use rate based on date of individual transactions.

ALTERNATIVE 2

- Require travelers to prove purchase rate through credit card statements.

TRAVEL PROCEDURES & EXPENSE REVIEW

MOSAIC RECOMMENDATION 1.16 (Schedule A)

- Ensure that there is consistency in expense documentation provided across all travelers.

TRAVEL PROCEDURES & EXPENSE REVIEW

CONSISTENCY IN
EXPENSE
DOCUMENTATION

CURRENT POLICY

§705.03 - CLAIMS FOR REIMBURSEMENT

- An education and travel expense reimbursement shall be claimed by completing an expense voucher form available on the LACERA intranet website and submitting it to the appropriate authorizing person. Board Members may submit their expense reimbursements to their respective Executive Board Assistant and staff to their Division Manager.
- All expense reimbursement requests shall be accompanied by receipts and/or other reasonable documentation. Expense reimbursement records are subject to disclosure under the Public Records Act, with redaction of confidential information.
- The deadline for submitting an education and travel reimbursement claim is 90 days after completing the education, or 30 days after the fiscal year-end, whichever comes first. Extensions to this deadline may be granted by the Chair (for Board Members) or the CEO (for staff) upon showing good cause.

ALTERNATIVE 1

Ease of Administration

- Expense reimbursement documentation will become more consistent with simplified airfare procedures, per diem only, and a single method for reimbursing foreign currency charges.
- Use of a travel agent or travel software may also promote further consistency and ease of administration in travel bookings and documentation.

ADMINISTRATIVE

MOSAIC RECOMMENDATION 1.6

- Research the use of travel agencies for making all travel arrangements to eliminate possible interpretive and procedural errors by travelers.

BUDGET

MOSAIC RECOMMENDATION 2.18

- Establish a carbon budget for travel and discuss the role that purchasing carbon offsets may have in future travel policies and practices.

Schedule A

LACERA Education and Travel Policy
Reimbursement Schedule – Attachment A
Optional Changes To Modify Existing Policy

CURRENT POLICY		OPTION 1	OPTION 2	OPTION 3
#	Transportation	Transportation	Transportation	Transportation
Amounts which can be reimbursed for transportation, lodging, meals and other items are indicated as follows:				
	A. Airline Travel	A. Airline Travel	A. Airline Travel	A. Airline Travel
1	1. Board Members and staff will travel in coach/economy class except that they may travel in business class or its equivalent for:	1. Board Members and staff will travel in coach/economy class except that they may travel in business class or its equivalent for:	1. Board Members and staff will travel in coach/economy class except that they may travel in business class or its equivalent for:	Board members and staff will travel in coach/economy for all domestic travel to and from cities in the United States and for any international flights departing to or arriving from Mexico or Canada. Allow business class or equivalent for all international flights departing or arriving from Africa, Asia, Australia/Oceania, Central America, South America, and Europe. TRAVEL BUDGET: Allocate travel funds to account for expenditures by each Trustee and properly administer the education program. Authority for travel will be allowed pursuant to the availability of allocated travel funds and in compliance with the Education Policy, which may limit the number of total external conferences that may be attended annually by each Trustee.
	a. Flights having a scheduled non-stop flight time or total connecting travel time from original departing airport to the final destination airport of five hours or more, and	a. Flights having a scheduled non-stop flight time of six hours or total connecting travel time from original departing airport to the final destination airport of five nine hours or more, including flights to and from the U.S, Canada, and Mexico.	a. Flights having a scheduled non-stop flight time of six hours or two or more total connecting flights in addition to the original leg regardless of travel time from original departing airport to the final destination airport. of five hours or more and	
	b. Red-eye flights. "Red-eye flights" are defined as flights in which a majority of the flight time occurs between 10:00 PM and 6:00 AM.	b. Red-eye flights. "Red-eye flights" are defined as flights in which a majority of the flight time occurs between 10:00 PM and 6:00 AM.	b. Red-eye flights. "Red-eye flights" are defined as flights in which a majority of the flight time occurs between 10:00 PM and 6:00 AM.	
	c. Flights arriving or departing at an international location, including Canada and Mexico.	c. Flights arriving or departing at an international location, including Africa, Asia, Australia/Oceania, Central America, South America or Europe. Canada and Mexico	c. Flights arriving or departing at an international location, including Africa, Asia, Australia/Oceania, Central America, South America, the Caribbean, Europe, Canada and or Mexico.	
	2. LACERA will reimburse the additional cost of coach/economy class seats advertised as having additional leg room regardless of flight time.	2. LACERA will reimburse the additional cost of coach/economy class seats advertised as having additional leg room regardless of flight time.	2. LACERA will reimburse the additional cost of coach/economy class seats advertised as having additional leg room regardless of flight time.	

	CURRENT POLICY	OPTION 1	OPTION 2	OPTION 3
1	3. Air travel will only be reimbursed at the lowest available fare at the time of purchase (for class travel authorized under this Policy) offered by United, American, or Delta for the dates of travel. Other carriers are authorized, but reimbursement shall not exceed this limitation.	3. Air travel will only be reimbursed at the lowest available non-refundable fare at the time of purchase (for class travel authorized under this Policy). Traveler may elect to fly on offered-by United, American, or Delta for the dates and times of travel. Other carriers are authorized, but reimbursement shall not exceed this the lowest non-refundable fare limitation- offered either amongst the three major airline carriers mentioned above or other major carriers who fly to selected destination.	3. Air travel will only be reimbursed at the lowest available refundable fare at the time of purchase (for class travel authorized under this Policy). Traveler may elect to fly on offered-by United, American, or Delta for the dates and times of travel. Other carriers are authorized, but reimbursement shall not exceed this the lowest refundable fare offered either amongst the three selected major airline carriers mentioned above or other major carriers who fly to the selected destination.	The cost of alcohol will at no time will be reimbursed against the budget.
	4. Recognizing air carriers have begun charging for incidental items historically included in the ticket price (for example, checking luggage, providing pillows, blankets, and non-alcoholic beverages during flights, etc.), LACERA also will reimburse carrier charges for such incidental items upon submission of an itemized receipt. Alcoholic beverages will not be reimbursed.	4. Recognizing air carriers have begun charging for incidental items historically included in the ticket price (for example, checking luggage, providing pillows, blankets, and non-alcoholic beverages during flights, etc.), LACERA also will reimburse carrier charges for such incidental items upon submission of an itemized receipt. Alcoholic beverages at no time will not be reimbursed.		
	5. Substantiation of airline travel shall include a copy of the ticket or E-mail confirmation showing the cost of the air travel.	5. No Change	5. No Change	

	CURRENT POLICY	OPTION 1	OPTION 2	OPTION 3
1	<p>6. Board Members and staff traveling by air to conduct LACERA business may use only regularly-scheduled airline services operating by an air carrier certified by the Federal Aviation Administration or comparable foreign authority. Board Members and staff are prohibited from traveling on LACERA business via private aircraft, including but not limited to aircraft owned, leased, or rented by the individual Board Member or staff. Persons traveling on LACERA business via private aircraft will be deemed to be acting outside the scope of their responsibilities and employment. They will not be covered by LACERA's liability insurance.</p>	<p>6. Travelers Board Members and staff using traveling by air transportation to conduct LACERA business may use only regularly-scheduled airline services operating by an air carrier certified by the Federal Aviation Administration or comparable foreign authority. Travelers Board Members and staff are prohibited from traveling on LACERA business via private aircraft, including but not limited to aircraft owned, leased, or rented by the individual Board Member or staff. Persons traveling on LACERA business via private aircraft will be deemed to be acting outside the scope of their responsibilities and employment. They will not be covered by LACERA's liability insurance nor be reimbursed for air travel costs.</p>	6. No Change	

	CURRENT POLICY	OPTION 1	OPTION 2	OPTION 3
1	<p>B. Other Common Carrier Travel</p> <p>1. Travel permitted under this policy should be accomplished in the most cost-effective and efficient manner practicable, considering the costs of the mode of transportation, travel time, accommodations, and per diem.</p>	<p>B. Other Common Carrier Travel</p> <p>1. No Change</p>	<p>B. Other Common Carrier Travel</p> <p>1. No Change</p>	
	<p>2. Generally air travel is the most cost-effective and efficient means for long distance travel, with "long distance travel" defined as a travel to a site more than 600 miles from LACERA's headquarters.</p>	<p>2. Generally air travel is the most cost-effective and efficient means for long distance travel, with "long distance travel" defined as a travel to a site more than 300 miles from LACERA's headquarters.</p>	<p>2. Generally air travel is the most cost-effective and efficient means for long distance travel, with "long distance travel" defined as a travel to a site more than 150 miles from LACERA's headquarters.</p>	
	<p>3. Where a Traveler has special travel needs or concerns such that travel by air for long distance travel is not practicable, then the Traveler may use an alternate common carrier (e.g., train or bus) and incur such reasonable expenses associated with that mode of travel (e.g., sleeper car, additional days of per diem).</p>	<p>3. No Change</p>	<p>3. No Change</p>	
	<p>4. Substantiation of other common carrier travel shall include a copy of the ticket or E-mail confirmation showing the cost of the travel.</p>	<p>4. Substantiation of other common carrier travel shall include a copy of the ticket or E-mail confirmation showing the cost of the travel. Travel arrangements to be made by LACERA staff.</p>	<p>4. Substantiation of other common carrier travel shall include a copy of the ticket or E-mail confirmation showing the cost of the travel. Travel arrangements to be made by an outside travel agency.</p>	

CURRENT POLICY		OPTION 1	OPTION 2	OPTION 3
Lodging		Lodging	Lodging	Lodging
#	A. Room Cost	A. Room Cost	A. Room Cost	A. Room Cost
	Reimbursement is limited to a standard class single room rate, including mandatory taxes and hotel fees. Actual expenses for lodging will be reimbursed upon submittal of receipts. For example, room upgrades, and bed & breakfast additions will be at the expense of the traveler, unless for good cause such as the unavailability of standard rooms and/or international destinations.	No Change	No Change	
2	B. Government Rates Board Members and staff traveling on LACERA business should always request government rates when making reservations and/or checking in. LACERA recognizes that the governmental rate offered for local governmental entities like LACERA may be higher than the federal government rate, or may not be available at all, especially in connection with international travel.	No Change	No Change	

	CURRENT POLICY	OPTION 1	OPTION 2	OPTION 3
2	<p>C. Attendance at Educational Conferences, Administrative Meetings, and Investor Meetings. LACERA acknowledges that the cost of a standard room at an event hotel may exceed the standard lodging reimbursement rate. Nevertheless, Board Members and staff attending events may stay at the designated hotel to promote convenient access, networking, and safety. Reimbursement for lodging at an event is limited to the standard room rate charged by the event hotel unless for good cause such as the unavailability of standard rooms and/or international destinations. When lodging at the event hotel is unavailable, reimbursement is limited to the best available rate for a standard room at a nearby hotel of comparable quality. The Traveler will be responsible for any excess cost. This also applies for staff attendance at investor meetings.</p>	C. No Change	C. No Change	

	CURRENT POLICY	OPTION 1	OPTION 2	OPTION 3
2	<p>D. Travel Not Connected With An Established Hotel Venue.</p> <p>The maximum lodging amounts are intended to cover the cost of lodging at adequate, suitable and moderately-priced facilities located near the destination city's airport or the specific area in the destination city where LACERA's business will be conducted without association with an established hotel venue. Reimbursement for lodging connected with such travel is limited to:</p>	D. No Change	D. No Change	
	<p>1. Domestic: Not more than three times the regular per diem rate for the location as established from time to time by the Internal Revenue Service, found at www.gsa.gov (click on "per diem rates").</p>	<p>1. Domestic: Not more than three two times the regular per diem rate for the location as established from time to time by the Internal Revenue Service, found at www.gsa.gov (click on "per diem rates").</p>	<p>1. Domestic: Not more than three- three times the regular per diem rate for the location as established from time to time by the Internal Revenue Service, found at www.gsa.gov (click on "per diem rates").</p>	
	<p>2. International: Not more than three times the rate for the location as established from time to time by the United States Department of State, found at: www.state.gov/m/a/als/prdm.</p>	<p>2. International: Not more than three-times the rate for the location as established from time to time by the United States Department of State, found at: www.state.gov/m/a/als/prdm.</p>	<p>2. International: Not more than two three times the rate for the location as established from time to time by the United States Department of State, found at: www.state.gov/m/a/als/prdm.</p>	

CURRENT POLICY		OPTION 1	OPTION 2	OPTION 3
#	Meals	Meals	Meals	Meals
3	It is the policy's intent for the traveler to be reimbursed for meals not pre-paid for by LACERA. As such, LACERA will not reimburse the Traveler for a meal which has been pre-paid for by LACERA (e.g., when conference registration includes meals), whether or not the Traveler consumed the meal, except where the traveler could not consume the pre-paid meal because:	No Change	No Change	
	1. The Traveler has special dietary or medical concerns, or	1. No Change	1. No Change	
	2. It was reasonably necessary for the Traveler to conduct LACERA business (e.g., meet with an investment advisor) while the pre-paid meal was being served.	2. No Change	2. No Change	
	Written justification as to which of the above two exceptions applies will be provided with the reimbursement request.	Written justification for any dietary restrictions or medical concerns may be submitted by the Traveler once annually. Written justification as to which of the applicability of the second above exceptions applies will be provided with the reimbursement request.	No Change	
	Likewise, LACERA will not reimburse the Traveler for a meal paid for by a third party.	No Change	No Change	

CURRENT POLICY		OPTION 1	OPTION 2	OPTION 3
#	Meal Reimbursement	Meal Reimbursement	Meal Reimbursement	Meal Reimbursement
4	Reimbursement for meals shall, at the traveler's option, be based either on "The Per Diem Method" or "The Actual Receipt Method." The Traveler may use both the Per Diem Method and the Actual Receipt Method of reimbursement on a single trip, so long as only one method is used per calendar day.	Reimbursement for meals shall, at the traveler's election option , be based either on "The Per Diem Method" or "The Actual Receipt Method." The Traveler may not use both the Per Diem Method and the Actual Receipt Method of reimbursement on a single trip, but rather must select so long as only one method to be is used for the per entire calendar year day.	Reimbursement for meals shall, at the traveler's option , be based on either on "The Per Diem Method" only. or "The Actual Receipt Method." The traveler may use both the Per Diem Method and the Actual Receipt Method of reimbursement on a single trip, so long as only one method is used per calendar day.	
	A. The Per Diem Method	A. The Per Diem Method	A. The Per Diem Method	A. The Per Diem Method
	1. Under the Per Diem Method the Traveler agrees to accept a flat rate for meal expense for actual meals eaten and is not required to submit receipts.	1. Under the Per Diem Method the traveler agrees to accept a flat rate for meals . Travelers are ie not required to submit receipts.	1. Under the Per Diem Method the traveler agrees to accept a flat rate for meals. Travelers are not required to submit receipts.	
	2. The per diem allowance will be computed using the Meals & Incidental Expenses rate (the M&IE Rate) published by the Internal Revenue Service and in effect on the date of travel for the locality of travel.	2. No Change	2. No Change	

CURRENT POLICY		OPTION 1	OPTION 2	OPTION 3
4	3. The per diem allowance shall be claimed in accordance with the Meals & Incidental Expenses Breakdown (M&IE Breakdown) per the IRS, based on the M&IE Rate. The portion of the per diem the Traveler receives depends upon when the travel occurs. For example, if the travel occurs during normal breakfast and lunch times, the Traveler receives the per diem for breakfast and lunch; if the travel occurs during normal lunch and dinner times, the Traveler receives the per diem for lunch and dinner, etc.	3. No Change	3. No Change	
	B. The Actual Receipt Method	B. The Actual Receipt Method	B. The Actual Receipt Method	B. The Actual Receipt Method
	1. Under the Actual Receipt Method, reimbursement shall be requested only for the actual cost paid for a meal.	1. No Change.	1. No Change.	
	2. Actual cost reimbursed will not to exceed \$100 per day, provided that in no case will the cost of alcoholic beverages be reimbursed.	2. No Change	2. No Change	
	3. Receipts shall include the following information: a. meal cost amount, and b. date and location.	3. No Change.	3. No Change.	
	4. Credit card receipts are sufficient provided they include the required information.	4. No Change.	4. No Change.	

CURRENT POLICY		OPTION 1	OPTION 2	OPTION 3
4	5. Annotating the meal receipt with the business purpose for the meal will assist staff with processing reimbursements, and if the receipt is for more than the individual, the names of persons whose meals are covered by the receipt.	5. No Change.	5. No Change.	
	6. If a host provides a meal, and actual expenses are not incurred, then that meal should be excluded from reimbursement.	6. No Change.	6. No Change.	
#	Porterage	Porterage	Porterage	Porterage
5	1. Maximum reimbursement for Porterage is \$10 per day of travel (that is, days involving transportation from home to a travel location, from one travel location to another, and from the final destination to home).	1. No Change	1. No Change	
	2. Porterage shall be based on the actual amount expended and documented on the claim form.	2. No Change	2. No Change	
	3. Porterage may not be claimed if reimbursement for meals is claimed using the Per Diem Method, as the Per Diem Method's IRS tables already factor in porterage reimbursement.	3. No Change	3. No Change	
	Parking	Parking	Parking	Parking
	Parking, including airport parking, will be reimbursed at actual rate (receipt required).	No Change	No Change	

CURRENT POLICY		OPTION 1	OPTION 2	OPTION 3
Mileage		Mileage	Mileage	Mileage
	Use of a personal vehicle will be reimbursed on a per mile basis at the rate approved by the Internal Revenue Service as of the date of travel.	No Change	No Change	
#	Other Business Expenses	Other Business Expenses	Other Business Expenses	Other Business Expenses
6	<p>Other business expenses reasonably incurred in connection with LACERA business, such as business and personal telephone, fax, internet access, gym access (including the standard gym fee charged by the traveler's hotel or, if hotel gym access is not available, the reasonable cost of daily access to a local gym or health facility), dry cleaning, and similar business expenses, shall be reimbursed upon submittal of receipts. The cost of membership in TSA Pre, Global Entry, NEXUS, SENTRI, or other expedited security and border processing programs shall be reimbursed upon submittal of receipts. Technology needs, for both international and domestic travel, may be discussed with the Systems Division in advance to develop appropriate solutions for the traveler's needs and to manage cost.</p> <p>Reimbursement for lost or damaged property is subject to a separate policy to be developed.</p>	No Change	No Change	

Questions?

Appendix

MOSAIC CONCLUSION & CHALLENGE:

“Overall, LACERA’s education/travel lacks organizational alignment to a consensus future vision and strategic plan; this is a root cause and an important opportunity for LACERA to take a leadership position in the industry.”

Goal of This Review:

To bring LACERA's Travel Policy into greater alignment with best practices and meet the recommendations of the Mosaic and Internal Audit reports without compromising the ability to support the Trustees' unique needs in the performance of their fiduciary duty.

TRAVEL POLICY DEVELOPMENT

MOSAIC RECOMMENDATION 1.1

- Address the cultural issues arising from travel practices that are impacting morale through the Boards and staff working collaboratively on implementing the recommendations in this Report.

TRAVEL POLICY DEVELOPMENT

CULTURAL ISSUES

ALTERNATIVE 1

Ease of Administration

- Develop simple, clear, unambiguous travel policy and travel procedures to center around ease of administration for both travelers and staff responsible for booking airlines and lodging reservations and reimbursing travel expenditures. Limit conflicts of interpretation by leveraging technology where possible to assist with processing travel claims.

TRAVEL POLICY DEVELOPMENT

MOSAIC RECOMMENDATION 1.2

- Implement annual traveler attestation in respect of compliance with LACERA's Travel Policy and Conflict of Interest Policy/Guidelines, as well as with Section II. General Ethical Standards, in the Code of Ethical Conduct.

TRAVEL POLICY DEVELOPMENT

CURRENT POLICY

- The current policy does not address this subject

ALTERNATIVE 1

Ease of Administration

- Implement travel software for travelers, facilitators (secretaries), and accountants to access. This software should house all receipts, supporting documents, and approvals (including a traveler attestation).

ALTERNATIVE 2

- Create an attestation form, and require each traveler to have a signed form "on-file".

TRAVEL POLICY DEVELOPMENT

MOSAIC RECOMMENDATION 1.7

- Adopt a triennial review cycle for the Education and Travel Policy.

TRAVEL POLICY DEVELOPMENT

CURRENT POLICY

§705.18 - Review

- (Policy) reviewed by Joint Organizational Governance Committee, the Board of Retirement, and the Board of Investments annually or as needed and may be amended by both Boards at any time.

ALTERNATIVE 1

Ease of Administration

- Review by the Joint Organizational Governance Committee triennially with recommendations of changes submitted to the Board of Retirement and Board of Investments for approval.

ALTERNATIVE 2

- The JOGC will review the policy and procedures in sections annually and completely triennially.

TRAVEL POLICY DEVELOPMENT

MOSAIC RECOMMENDATION 1.8

- Upon Policy amendment, compel training for all individuals that are subject to or interact with the Policy.

TRAVEL POLICY DEVELOPMENT

CURRENT POLICY

- The current policy does not address this subject

ALTERNATIVE 1

Ease of Administration

- Organize training for staff and trustees "upon policy amendment"

ALTERNATIVE 2

- Record a training video or webinar training that can be viewed by all individuals who must understand the policy/procedures. The video or webinar can be accessed remotely as a refresher tool.

TRAVEL POLICY DEVELOPMENT

MOSAIC RECOMMENDATION 1.15 & 3.2

MONITORING & REPORTING

- Provide trend analytics and exception-based reports on travel expenditures in monthly and quarterly reports, as well as other analytics the Boards may deem useful, with the detail available upon request.
- Modify the reports provided to the Boards and the public to set better context about LACERA's board size and legal education requirements.
- Describe how oversight of Board compliance with the policy will occur, at what frequency, and addresses transparency in reporting.

TRAVEL POLICY DEVELOPMENT

MONITORING AND REPORTING

CURRENT POLICY

§705.12 – Travel Reports

- A monthly Travel Report shall be submitted to both Boards listing the current fiscal year's completed, anticipated, and canceled Education Conferences and Administrative Meetings (including whether excused under Section 705.06.C) for Board Members and staff. A quarterly Travel Report shall be submitted to both Boards listing Board Member and staff education and administrative travel expenses paid/reimbursed by LACERA. Such report shall identify whether each item of travel was for an Educational Conference or Administrative Meeting, the purpose, location, cost by expense category, whether excused under Section 705.06.C.

The monthly and quarterly reports shall be aggregated as reports for the Boards in the first month after they are available (and for privacy and personal security reasons, after travel has been completed) and shall be posted on lacera.com.

ALTERNATIVE 1

Ease of Administration

- Consolidate monthly and quarterly travel reports into a single monthly fiscal year to date report. The report will show individual trustee trip information including; event name, location, attendance, expense information. Expense information will also be aggregated and provide a running total so trustees can plan how to spend budgeted funds (should this be adopted). Data should be aggregated and provide an analysis of travel trip and costs in respect to the total allowed for each Board so that the travel data can be viewed in respect to the relative size of each Board. Remove category designations (educational or administrative). Keep limit of 1 international trip, and 4 domestic U.S. trips (6 if serving on both boards) to extent budgetary resources are available.

TRAVEL POLICY DEVELOPMENT

MOSAIC RECOMMENDATION 1.17

- Conduct periodic processing reviews to ensure that scrutiny and enforcement are equally applied across both Board and staff expenses.

TRAVEL POLICY DEVELOPMENT

PROCESSING REVIEW

CURRENT POLICY

- The current policy does not address this subject

ALTERNATIVE 1

Ease of Administration

- Schedule audit by Internal Audit of adherence to Travel Procedures triennially.

ALTERNATIVE 2

- Schedule audit by Internal Audit of adherence to Travel Procedures annually.

TRAVEL POLICY DEVELOPMENT

MOSAIC RECOMMENDATION 3.1

- The Boards should periodically review the costs of their education and travel to similar peers to be aware of where they stand within the community of practice, and to ensure that their costs are reasonable and prudent.

TRAVEL POLICY DEVELOPMENT

PERIODIC REVIEW OF
THE COSTS OF BOARD
EDUCATION AND TRAVEL

CURRENT POLICY

- The current policy does not address this subject

ALTERNATIVE 1

Ease of Administration

- Boards can compare individual trustee travel expenses with monthly reporting by its peers. Individual travel budgets could be compared with industry peers, but ultimately should be established based on the education needs of the traveler and the operational and business needs of LACERA.

TRAVEL POLICY DEVELOPMENT

COORDINATION OF APPLICABLE LAW & OTHER POLICIES

- Addresses applicability of Fair Political Practices Commission (FPPC) requirements, IRS requirements, education policy, standards of ethical conduct, conflict of interest and gift policies, no-contact policy, or quiet period during active procurements.

TRAVEL POLICY DEVELOPMENT

COORDINATION OF
APPLICABLE LAW &
OTHER POLICIES

CURRENT POLICY

- The current policy does not address this subject

ALTERNATIVE 1

Ease of Administration

- Seeking guidance from the Board on adding or modifying the policy to include this recommendation.

TRAVEL POLICY & THE CEO

EXPENSE REIMBURSEMENT PROCESS

- Cross-reference the administrative procedures that are developed, maintained and enforced by the CEO.

TRAVEL POLICY & THE CEO

EXPENSE REIMBURSEMENT PROCESS

CURRENT POLICY

- Attachment A, Reimbursement Schedule

ALTERNATIVE 1

Ease of Administration

- Seeking guidance from the Board on this recommendation.

TRAVEL POLICY & COVERED INDIVIDUALS

DEFINITION OF COVERED INDIVIDUALS

- Definition of Covered Individuals clearly delineates the individuals covered by the travel policy, particularly when there may be alternate Trustees or designees or Ex-officio members.

TRAVEL POLICY & COVERED INDIVIDUALS

DEFINITION OF COVERED INDIVIDUALS

CURRENT POLICY

- The current policy does not address this subject

ALTERNATIVE 1

Ease of Administration

- The Travel Policy applies to Trustees holding a current active seat on either the Board of Retirement, Board of Investments.
- Trustees named to the Board of Retirement and Board of Investments holding Alternate positions, and a designee named by the Ex-Officio Trustee, are covered under this Travel Policy.
- Trustees, within three months prior to their term commencement, may travel on LACERA business to attend pre-requisite courses as described in the Education Policy.

TRAVEL POLICY & COVERED INDIVIDUALS

APPROVAL PROCESS OF COVERED INDIVIDUALS

- Addresses who has the authority to approve, the process by which approval occurs for covered persons under the policy, and exceptions.

TRAVEL POLICY & COVERED INDIVIDUALS

APPROVAL PROCESS OF COVERED INDIVIDUALS

CURRENT POLICY

§705.00 & §705.00.B

- §705.00 contains detail about the approval process for trustees. The approval process for staff contains confusing or possibly conflicting provisions (§705.00.B). It is unclear who approves CEO travel.

ALTERNATIVE 1

Ease of Administration

- CEO travel to be approved by the Chair of the Board of Retirement.

TRAVEL POLICY & TYPES OF TRAVEL

TYPES OF TRAVEL

- Examples: Educational conferences, non-educational events when requested or approved by the Board, travel to Board and Committee meetings, stakeholder events, etc..

TRAVEL POLICY & TYPES OF TRAVEL

TYPES OF TRAVEL

CURRENT POLICY

Statement of Purpose

- Statement of Purpose contains definitions of Educational Conferences and Administrative Meetings

ALTERNATIVE 1

Ease of Administration

- Remove Educational Conferences and Administrative Meeting types and use an individual trustee travel budget.

TRAVEL POLICY & TYPES OF TRAVEL

BROAD CATEGORIES OF LIMITATIONS & NON-REIMBURSEABLE EXPENSES

- Addresses policy positions on common situations such as when traveling with family and friends, or with other Board members, staff, or system service providers, as well as a situation where a Trustee has resigned, retired, lost their election bid, or chose not to seek another term on the Board.

TRAVEL POLICY & TYPES OF TRAVEL

BROAD CATEGORIES OF
LIMITATIONS & NON-
REIMBURSEABLE
EXPENSES

CURRENT POLICY

§705.00.A.9, §705.08 & §701.15

- §705.00.A.9 requires cessation of future travel once a Trustee is aware their term of service will end. See §705.08 for limitations on expenses when traveling with personal companions. Beyond §701.15, Brown Act Compliance, the Policy does not expressly address situations where Board members travel with staff or system service providers.

ALTERNATIVE 1

Ease of Administration

- Expenses for traveling companions should not be reimbursed.

TRAVEL PROCEDURES & EXPENSE REVIEW

MOSAIC RECOMMENDATION 1.11

- Conduct an analysis of whether actual meal and incidental expenses or a per diem method would be most appropriate and adopt one of these methods as a procedure for processing meal and incidental expenses.

TRAVEL PROCEDURES & EXPENSE REVIEW

PROCESSING MEAL AND INCIDENTAL EXPENSES

CURRENT POLICY

Attachment A – Meal Reimbursement

- Reimbursement for meals shall, at the traveler's option, be based either on "The Per Diem Method" or "The Actual Receipt Method." The traveler may use both the Per Diem Method and the Actual Receipt Method of reimbursement on a single trip, so long as only one method is used per calendar day.

ALTERNATIVE 1

Ease of Administration

- Per Diem method for meal reimbursement should be considered as it is a more simple and uniform way to process, calculate and account for expenditures.

ALTERNATIVE 2

- Traveler may choose between Per Diem Method or Actual Receipt Method per trip for meal reimbursement.

TRAVEL PROCEDURES & EXPENSE REVIEW

MOSAIC RECOMMENDATION 1.12

- Adopt procedures that minimize the time spent on the issue of reimbursing travelers for meals paid for and consumed when meals are otherwise provided.

TRAVEL PROCEDURES & EXPENSE REVIEW

EASE OF MEAL REIMBURSEMENT

CURRENT POLICY

Attachment A – Meals

- It is the policy's intent for the traveler to be reimbursed for meals not pre-paid for by LACERA. As such, LACERA will not reimburse the traveler for a meal which has been pre-paid for by LACERA (e.g., when conference registration includes meals), whether or not the traveler consumed the meal, except where the traveler could not consume the pre-paid meal because:
 - The traveler has special dietary or medical concerns, or
 - It was reasonably necessary for the traveler to conduct LACERA business (e.g., meet with an investment advisor) while the pre-paid meal was being served.
- Written justification as to which of the above two exceptions applies will be provided with the reimbursement request. Likewise, LACERA will not reimburse the traveler for a meal paid for by a third party.

ALTERNATIVE 1

Ease of Administration

- Submit dietary and allergy restrictions as part of annual travel attestation prior to reimbursing traveler for meals covered by conferences.

ALTERNATIVE 2

- Meals provided by conferences usually provide options for those who have dietary restrictions. All meals provided by the conference will not be reimbursed.

TRAVEL PROCEDURES & EXPENSE REVIEW

MOSAIC RECOMMENDATION 1.14

- Require appropriate signature approval by traveler seeking reimbursement for expense reports prepared on their behalf by staff.

TRAVEL PROCEDURES & EXPENSE REVIEW

APPROVAL SIGNATURES

CURRENT POLICY

§705.03 - CLAIMS FOR REIMBURSEMENT

- An education and travel expense reimbursement shall be claimed by completing an expense voucher form available on the LACERA intranet website and submitting it to the appropriate authorizing person. Board Members may submit their expense reimbursements to their respective Executive Board Assistant and staff to their Division Manager. All expense reimbursement requests shall be accompanied by receipts and/or other reasonable documentation. Expense reimbursement records are subject to disclosure under the Public Records Act, with redaction of confidential information. The deadline for submitting an education and travel reimbursement claim is 90 days after completing the education, or 30 days after the fiscal year-end, whichever comes first. Extensions to this deadline may be granted by the Chair (for Board Members) or the CEO (for staff) upon showing good cause.

ALTERNATIVE 1

Ease of Administration

- Staff seeking guidance from the Boards on this recommendation, as requiring wet signatures from the traveler in the pandemic environment may prove impracticable.

BUDGET

MOSAIC RECOMMENDATION 2.17

- Strengthen the budget-setting and oversight process by adopting a bottom-up approach to establishing the education and travel budget.

BUDGET

EDUCATION AND TRAVEL BUDGET

CURRENT POLICY

- The current policy does not address this subject

ALTERNATIVE 1

Ease of Administration

- Set a travel budget per trustee with a fiscal year cap.

ALTERNATIVE 2

- Set a travel budget per trustee for the entire fiscal year; and allow for mid-year budget adjustments with approval by the Board(s).

ADMINISTRATIVE

MOSAIC RECOMMENDATION 1.3

- Hire temporary contract staff in Accounting to establish proper internal controls and mitigate operational risk related to processing accounting transactions for travel occurrences until a permanent alternative solution can be found or sufficient permanent staff can be hired.

ADMINISTRATIVE

TEMPORARY CONTRACT STAFF

CURRENT POLICY

- N/A

ALTERNATIVE 1

Ease of Administration

- Hire temporary staff to provide support and coverage until FASD classification study is approved and permanent hiring of staff is completed.

ADMINISTRATIVE

MOSAIC RECOMMENDATION 1.4

- Approve funds for a comprehensive evaluation of all of LACERA's systems that support education and travel activities to establish proper data continuity, provide efficiency in record-keeping and reporting, and strengthen internal controls.

ADMINISTRATIVE

CURRENT POLICY

- N/A

ALTERNATIVE 1

Ease of Administration

- Budget appropriate resources to allow staff to evaluate and procure travel software (i.e. Concur or Certify).

ALTERNATIVE 2

- Look into making LACERA's internal system (Travel Manager) more robust, accepting of files, and programmed to initiate workflows like approvals and receipt storage.

TRAVEL PROCEDURES & EXPENSE REVIEW

INTERNAL AUDIT RECOMMENDATION

- To improve the effectiveness and efficiency of FASD's review process, FASD should provide instructions for the Travel Expense Voucher (payment request), so travelers can provide a complete travel file.

TRAVEL PROCEDURES & EXPENSE REVIEW

INSTRUCTIONS FOR THE TRAVEL EXPENSE VOUCHER

CURRENT POLICY

- Expense Voucher must be filled out for each travel reimbursement request; though there are not explicit instructions other than the expectation that each element should be address when submitted.

ALTERNATIVE 1

Ease of Administration

- Create explicit instructions as an appendix to Expense Voucher worksheet. Include a review of the Expense Voucher worksheet in the training provided to the Trustee or staff, and an online tutorial document that can be reviewed on demand as needed.

LACERA Education and Travel Policy

Reimbursement Schedule – Attachment A

Optional Changes To Modify Existing Policy

LACERA Education and Travel Policy				
Reimbursement Schedule – Attachment A				
Optional Changes To Modify Existing Policy				
#	CURRENT POLICY	OPTION 1	OPTION 2	OPTION 3
	Transportation	Transportation	Transportation	Transportation
	Amounts which can be reimbursed for transportation, lodging, meals and other items are indicated as follows:			
	A. Airline Travel	A. Airline Travel	A. Airline Travel	A. Airline Travel
	1. Board Members and staff will travel in coach/economy class except that they may travel in business class or its equivalent for:	1. Board Members and staff will travel in coach/economy class except that they may travel in business class or its equivalent for:	1. Board Members and staff will travel in coach/economy class except that they may travel in business class or its equivalent for:	Board members and staff will travel in coach/economy for all domestic travel to and from cities in the United States and for any international flights departing to or arriving from Mexico or Canada.
	a. Flights having a scheduled non-stop flight time or total connecting travel time from original departing airport to the final destination airport of five hours or more, and	a. Flights having a scheduled non-stop flight time of six hours or total connecting travel time from original departing airport to the final destination airport of five-nine hours or more, including flights to and from the U.S, Canada, and Mexico.	a. Flights having a scheduled non-stop flight time of six hours or two or more total connecting flights in addition to the original leg regardless of travel time from original departing airport to the final destination airport. of five hours or more, and	Allow business class or equivalent for all international flights departing or arriving from Africa, Asia, Australia/Oceania, Central America, South America, and Europe.
1	b. Red-eye flights. “Red-eye flights” are defined as flights in which a majority of the flight time occurs between 10:00 PM and 6:00 AM.	b. Red-eye flights. “Red-eye flights” are defined as flights in which a majority of the flight time occurs between 10:00 PM and 6:00 AM.	b. Red-eye flights. “Red-eye flights” are defined as flights in which a majority of the flight time occurs between 10:00 PM and 6:00 AM.	TRAVEL BUDGET: Allocate travel funds to account for expenditures by each Trustee and properly administer the education program.
	c. Flights arriving or departing at an international location, including Canada and Mexico.	c. Flights arriving or departing at an international location, including Africa, Asia, Australia/Oceania, Central America, South America or Europe. Canada and Mexico	c. Flights arriving or departing at an international location, including Africa, Asia, Australia/Oceania, Central America, South America, the Caribbean, Europe, Canada and or Mexico.	Authority for travel will be allowed pursuant to the availability of allocated travel funds and in compliance with the Education Policy, which may limit the number of total external conferences that may be attended annually by each Trustee.
	2. LACERA will reimburse the additional cost of coach/economy class seats advertised as having additional leg room regardless of flight time.	2. LACERA will reimburse the additional cost of coach/economy class seats advertised as having additional leg room regardless of flight time.	2. LACERA will reimburse the additional cost of coach/economy class seats advertised as having additional leg room regardless of flight time.	

	CURRENT POLICY	OPTION 1	OPTION 2	OPTION 3
1	<p>3. Air travel will only be reimbursed at the lowest available fare at the time of purchase (for class travel authorized under this Policy) offered by United, American, or Delta for the dates of travel. Other carriers are authorized, but reimbursement shall not exceed this limitation.</p>	<p>3. Air travel will only be reimbursed at the lowest available non-refundable fare at the time of purchase (for class travel authorized under this Policy). Traveler may elect to fly on offered-by United, American, or Delta for the dates and times of travel. Other carriers are authorized, but reimbursement shall not exceed this the lowest non-refundable fare limitation-offered either amongst the three major airline carriers mentioned above or other major carriers who fly to selected destination.</p>	<p>3. Air travel will only be reimbursed at the lowest available refundable fare at the time of purchase (for class travel authorized under this Policy). Traveler may elect to fly on offered-by United, American, or Delta for the dates and times of travel. Other carriers are authorized, but reimbursement shall not exceed this the lowest refundable fare offered either amongst the three selected major airline carriers mentioned above or other major carriers who fly to the selected destination.</p>	<p>The cost of alcohol will at no time will be reimbursed against the budget.</p>
	<p>4. Recognizing air carriers have begun charging for incidental items historically included in the ticket price (for example, checking luggage, providing pillows, blankets, and non-alcoholic beverages during flights, etc.), LACERA also will reimburse carrier charges for such incidental items upon submission of an itemized receipt. Alcoholic beverages will not be reimbursed.</p>	<p>4. Recognizing air carriers have begun charging for incidental items historically included in the ticket price (for example, checking luggage, providing pillows, blankets, and non-alcoholic beverages during flights, etc.), LACERA also will reimburse carrier charges for such incidental items upon submission of an itemized receipt. Alcoholic beverages at no time will not be reimbursed.</p>		
	<p>5. Substantiation of airline travel shall include a copy of the ticket or E-mail confirmation showing the cost of the air travel.</p>	<p>5. No Change</p>	<p>5. No Change</p>	

	CURRENT POLICY	OPTION 1	OPTION 2	OPTION 3
1	<p>6. Board Members and staff traveling by air to conduct LACERA business may use only regularly-scheduled airline services operating by an air carrier certified by the Federal Aviation Administration or comparable foreign authority. Board Members and staff are prohibited from traveling on LACERA business via private aircraft, including but not limited to aircraft owned, leased, or rented by the individual Board Member or staff. Persons traveling on LACERA business via private aircraft will be deemed to be acting outside the scope of their responsibilities and employment. They will not be covered by LACERA's liability insurance.</p>	<p>6. Travelers Board Members and staff using traveling by air transportation to conduct LACERA business may use only regularly-scheduled airline services operating by an air carrier certified by the Federal Aviation Administration or comparable foreign authority. Travelers Board Members and staff are prohibited from traveling on LACERA business via private aircraft, including but not limited to aircraft owned, leased, or rented by the individual Board Member or staff. Persons traveling on LACERA business via private aircraft will be deemed to be acting outside the scope of their responsibilities and employment. They will not be covered by LACERA's liability insurance nor be reimbursed for air travel costs.</p>	<p>6. No Change</p>	

CURRENT POLICY		OPTION 1	OPTION 2	OPTION 3
1	B. Other Common Carrier Travel 1. Travel permitted under this policy should be accomplished in the most cost-effective and efficient manner practicable, considering the costs of the mode of transportation, travel time, accommodations, and per diem.	B. Other Common Carrier Travel 1. No Change	B. Other Common Carrier Travel 1. No Change	
	2. Generally air travel is the most cost-effective and efficient means for long distance travel, with “long distance travel” defined as a travel to a site more than 600 miles from LACERA’s headquarters.	2. Generally air travel is the most cost-effective and efficient means for long distance travel, with “long distance travel” defined as a travel to a site more than 300 miles from LACERA’s headquarters.	2. Generally air travel is the most cost-effective and efficient means for long distance travel, with “long distance travel” defined as a travel to a site more than 150 miles from LACERA’s headquarters.	
	3. Where a Traveler has special travel needs or concerns such that travel by air for long distance travel is not practicable, then the Traveler may use an alternate common carrier (e.g., train or bus) and incur such reasonable expenses associated with that mode of travel (e.g., sleeper car, additional days of per diem).	3. No Change	3. No Change	
	4. Substantiation of other common carrier travel shall include a copy of the ticket or E-mail confirmation showing the cost of the travel.	4. Substantiation of other common carrier travel shall include a copy of the ticket or E-mail confirmation showing the cost of the travel. Travel arrangements to be made by LACERA staff.	4. Substantiation of other common carrier travel shall include a copy of the ticket or E-mail confirmation showing the cost of the travel. Travel arrangements to be made by an outside travel agency.	

CURRENT POLICY		OPTION 1	OPTION 2	OPTION 3
Lodging		Lodging	Lodging	Lodging
#	A. Room Cost	A. Room Cost	A. Room Cost	A. Room Cost
2	Reimbursement is limited to a standard class single room rate, including mandatory taxes and hotel fees. Actual expenses for lodging will be reimbursed upon submittal of receipts. For example, room upgrades, and bed & breakfast additions will be at the expense of the traveler, unless for good cause such as the unavailability of standard rooms and/or international destinations.	No Change	No Change	
	B. Government Rates Board Members and staff traveling on LACERA business should always request government rates when making reservations and/or checking in. LACERA recognizes that the governmental rate offered for local governmental entities like LACERA may be higher than the federal government rate, or may not be available at all, especially in connection with international travel.	No Change	No Change	

CURRENT POLICY	OPTION 1	OPTION 2	OPTION 3
<p>2 C.Attendance at Educational Conferences, Administrative Meetings, and Investor Meetings. LACERA acknowledges that the cost of a standard room at an event hotel may exceed the standard lodging reimbursement rate. Nevertheless, Board Members and staff attending events may stay at the designated hotel to promote convenient access, networking, and safety. Reimbursement for lodging at an event is limited to the standard room rate charged by the event hotel unless for good cause such as the unavailability of standard rooms and/or international destinations. When lodging at the event hotel is unavailable, reimbursement is limited to the best available rate for a standard room at a nearby hotel of comparable quality. The Traveler will be responsible for any excess cost. This also applies for staff attendance at investor meetings.</p>	<p>C. No Change</p>	<p>C. No Change</p>	

	CURRENT POLICY	OPTION 1	OPTION 2	OPTION 3
2	<p>D. Travel Not Connected With An Established Hotel Venue.</p> <p>The maximum lodging amounts are intended to cover the cost of lodging at adequate, suitable and moderately-priced facilities located near the destination city's airport or the specific area in the destination city where LACERA's business will be conducted without association with an established hotel venue. Reimbursement for lodging connected with such travel is limited to:</p>	D. No Change	D. No Change	
	<p>1. Domestic: Not more than three times the regular per diem rate for the location as established from time to time by the Internal Revenue Service, found at www.gsa.gov (click on "per diem rates").</p>	<p>1. Domestic: Not more than three two times the regular per diem rate for the location as established from time to time by the Internal Revenue Service, found at www.gsa.gov (click on "per diem rates").</p>	<p>1. Domestic: Not more than three two times the regular per diem rate for the location as established from time to time by the Internal Revenue Service, found at www.gsa.gov (click on "per diem rates").</p>	
	<p>2. International: Not more than three times the rate for the location as established from time to time by the United States Department of State, found at: www.state.gov/m/a/als/prdm.</p>	<p>2. International: Not more than three times two times the rate for the location as established from time to time by the United States Department of State, found at: www.state.gov/m/a/als/prdm.</p>	<p>2. International: Not more than three two times the rate for the location as established from time to time by the United States Department of State, found at: www.state.gov/m/a/als/prdm.</p>	

CURRENT POLICY		OPTION 1	OPTION 2	OPTION 3
#	Meals	Meals	Meals	Meals
3	It is the policy's intent for the traveler to be reimbursed for meals not pre-paid for by LACERA. As such, LACERA will not reimburse the Traveler for a meal which has been pre-paid for by LACERA (e.g., when conference registration includes meals), whether or not the Traveler consumed the meal, except where the traveler could not consume the pre-paid meal because:	No Change	No Change	
	1. The Traveler has special dietary or medical concerns, or	1. No Change	1. No Change	
	2. It was reasonably necessary for the Traveler to conduct LACERA business (e.g., meet with an investment advisor) while the pre-paid meal was being served.	2. No Change	2. No Change	
	Written justification as to which of the above two exceptions applies will be provided with the reimbursement request.	Written justification for any dietary restrictions or medical concerns may be submitted by the Traveler once annually. Written justification as to which of the applicability of the second above exceptions applies will be provided with the reimbursement request	No Change	
	Likewise, LACERA will not reimburse the Traveler for a meal paid for by a third party.	No Change	No Change	

CURRENT POLICY		OPTION 1	OPTION 2	OPTION 3
#	Meal Reimbursement	Meal Reimbursement	Meal Reimbursement	Meal Reimbursement
4	Reimbursement for meals shall, at the traveler's option, be based either on "The Per Diem Method" or "The Actual Receipt Method." The Traveler may use both the Per Diem Method and the Actual Receipt Method of reimbursement on a single trip, so long as only one method is used per calendar day.	Reimbursement for meals shall, at the traveler's election option , be based either on "The Per Diem Method" or "The Actual Receipt Method." The Traveler may not use both the Per Diem Method and the Actual Receipt Method of reimbursement on a single trip, but rather must select so long as only one method to be is used for the per entire calendar year day.	Reimbursement for meals shall, at the traveler's option , be based on either on "The Per Diem Method" only. or "The Actual Receipt Method." The traveler may use both the Per Diem Method and the Actual Receipt Method of reimbursement on a single trip, so long as only one method is used per calendar day.	
	A. The Per Diem Method	A. The Per Diem Method	A. The Per Diem Method	A. The Per Diem Method
	1. Under the Per Diem Method the Traveler agrees to accept a flat rate for meal expense for actual meals eaten and is not required to submit receipts.	1. Under the Per Diem Method the traveler agrees to accept a flat rate for meals. Travelers are is not required to submit receipts.	1. Under the Per Diem Method the traveler agrees to accept a flat rate for meals. Travelers are not required to submit receipts.	
	2. The per diem allowance will be computed using the Meals & Incidental Expenses rate (the M&IE Rate) published by the Internal Revenue Service and in effect on the date of travel for the locality of travel.	2. No Change	2. No Change	

CURRENT POLICY		OPTION 1	OPTION 2	OPTION 3
4	3. The per diem allowance shall be claimed in accordance with the Meals & Incidental Expenses Breakdown (M&IE Breakdown) per the IRS, based on the M&IE Rate. The portion of the per diem the Traveler receives depends upon when the travel occurs. For example, if the travel occurs during normal breakfast and lunch times, the Traveler receives the per diem for breakfast and lunch; if the travel occurs during normal lunch and dinner times, the Traveler receives the per diem for lunch and dinner, etc.	3. No Change	3. No Change	
	B. The Actual Receipt Method	B. The Actual Receipt Method	B. The Actual Receipt Method	B. The Actual Receipt Method
	1. Under the Actual Receipt Method, reimbursement shall be requested only for the actual cost paid for a meal.	1. No Change.	1. No Change.	
	2. Actual cost reimbursed will not to exceed \$100 per day, provided that in no case will the cost of alcoholic beverages be reimbursed.	2. No Change	2. No Change	
	3. Receipts shall include the following information: a. meal cost amount, and b. date and location.	3. No Change.	3. No Change.	
	4. Credit card receipts are sufficient provided they include the required information.	4. No Change.	4. No Change.	

CURRENT POLICY		OPTION 1	OPTION 2	OPTION 3
4	5. Annotating the meal receipt with the business purpose for the meal will assist staff with processing reimbursements, and if the receipt is for more than the individual, the names of persons whose meals are covered by the receipt.	5. No Change.	5. No Change.	
	6. If a host provides a meal, and actual expenses are not incurred, then that meal should be excluded from reimbursement.	6. No Change.	6. No Change.	
#	Porterage	Porterage	Porterage	Porterage
5	1. Maximum reimbursement for Porterage is \$10 per day of travel (that is, days involving transportation from home to a travel location, from one travel location to another, and from the final destination to home).	1. No Change	1. No Change	
	2. Porterage shall be based on the actual amount expended and documented on the claim form.	2. No Change	2. No Change	
	3. Porterage may not be claimed if reimbursement for meals is claimed using the Per Diem Method, as the Per Diem Method's IRS tables already factor in porterage reimbursement.	3. No Change	3. No Change	
	Parking	Parking	Parking	Parking
	Parking, including airport parking, will be reimbursed at actual rate (receipt required).	No Change	No Change	

CURRENT POLICY		OPTION 1	OPTION 2	OPTION 3
Mileage		Mileage	Mileage	Mileage
	Use of a personal vehicle will be reimbursed on a per mile basis at the rate approved by the Internal Revenue Service as of the date of travel.	No Change	No Change	
#	Other Business Expenses	Other Business Expenses	Other Business Expenses	Other Business Expenses
6	<p>Other business expenses reasonably incurred in connection with LACERA business, such as business and personal telephone, fax, internet access, gym access (including the standard gym fee charged by the traveler's hotel or, if hotel gym access is not available, the reasonable cost of daily access to a local gym or health facility), dry cleaning, and similar business expenses, shall be reimbursed upon submittal of receipts. The cost of membership in TSA Pre, Global Entry, NEXUS, SENTRI, or other expedited security and border processing programs shall be reimbursed upon submittal of receipts. Technology needs, for both international and domestic travel, may be discussed with the Systems Division in advance to develop appropriate solutions for the traveler's needs and to manage cost.</p> <p>Reimbursement for lost or damaged property is subject to a separate policy to be developed.</p>	No Change	No Change	



November 10, 2020

TO: Each Trustee
Joint Organizational Governance Committee

FROM: Kimberly D. Hines, CPA *KDH*
Manager, Administrative Services Division

JJ Popowich *JJ*
Assistant Executive Officer

FOR: November 17, 2020 Joint Organizational and Governance Committee

SUBJECT: **FY 2020-21 PROPOSED MID-YEAR BUDGET AMENDMENT**

RECOMMENDATION

That the Joint Organizational Governance Committee (JOGC) review and recommend to the Board of Retirement and Board of Investments the FY 2020-21 Mid-Year Budget Amendments for the LACERA Administrative and Retiree Health Care Benefits Program Budgets.

DISCUSSION

During the FY 2020-21 budget adoption, the spending plan had minimal changes from the prior year. The budget was intended to maintain the status quo until a much deeper dive of the office operations and administrative support functions could be completed. At that time, we shared our plan to conduct a mid-year budget review and to present a supplemental budget request for additional resources. The Budget Team collaborated with the Executive Office and the Management Team to re-assess the organizational goals and priorities. We identified critical projects and funding needs that support improving operations and streamlining processes. Wherever possible, we have offset some of these costs by identifying salary savings and re-evaluating some lower priority projects.

We are pleased to present the FY 2020-21 Proposed Mid-Year Budget Amendments.

Proposed Mid-Year Budget Amendments for FY 2020-21

The Proposed Mid-Year Budget Amendment amount for FY 2020-21 in the amount of \$3.9 million reflects additional funding to account for IT related projects, COVID-19 related necessities, increased recruitment expenses and building costs related to the upcoming renewal of LACERA's office space lease. Other budget amendments include a reallocation of

permanent salaries, variable benefits, and temporary staff funding to reflect LACERA's adjusted hiring plans due to the COVID-19 pandemic and to offset some of the costs of the additional funding requested.

See overall and division financial summaries on Exhibit A and Exhibit B.

Salaries and Employee Benefit Changes

There are no requests to add additional positions at this time. Our goal is to focus on filling as many of the current vacancies as possible, on a prioritized basis.

During the budget development process, we calculate a salary savings for the number of months that a position will be vacant during the fiscal year. Due to the COVID19 Pandemic, hiring plans were delayed and timelines have shifted. We worked with the Management Team and Human Resources to reassess the vacancy estimates. Based on this examination, it was determined that positions would remain vacant for several months longer than what was originally planned and that we would retain temporary staff for a longer period. To account for this in the budget, we propose to reallocate funding by reducing Permanent Salaries and Variable Benefits by \$2.6 million and increasing Temporary staff salaries by \$2.2 million. The net affect was a decrease in Salaries and Employee Benefits of \$361,672.

Services and Supplies Budget Modifications

A closer examination of the ongoing needs of the office and the previous funding allocations resulted in a proposal to increase the overall Services and Supplies (S&S) Budget. The recommended modifications increase the total S&S Budget request by \$4.3 million from an aggregate budget amount of \$18.2 million for a revised total of \$22.5 million, a 23.3% increase in the budget appropriation.

The recommended S&S Budget adjustments for your consideration are highlighted below.

IT Related Projects

In alignment with the IT Modernization roadmap communicated in the CEO's "100-day Management Report" we are requesting funding for several critical IT related projects designed to improve security, disaster recovery, and operational efficiencies as follows:

Centera Replacement

LACERA's Write Once Read Many (WORM) storage device, which houses our member's information, is at the end of life. To continue effectively servicing our members, the organization needs to replace this system with an upgraded modern

solution. The estimated costs to upgrade our current storage solution is \$500,000, which includes the software, hardware, and professional services to migrate our current data. The costs will also include evaluating other solutions in the marketplace that ensures the organization is able to scale our data storage needs, as LACERA's membership grows, while meeting our requirements that the data does not change once written.

IT Disaster Recovery

A solid IT disaster recovery (DR) plan is a foundational component of any IT environment. The purpose of the ITDR plan is to minimize the operational and financial impact of a disaster upon an organization. This is achieved by understanding the needs of the business and having a program appropriately structured to return the business to its expected level of acceptable operations in a timely manner. As with any other plan, the ITDR plan is a living document that must be consistently evaluated, updated, and tested as the data processing environment evolves. Due to the ongoing COVID-19 pandemic and to ensure LACERA's IT operations remains resilient to unforeseen events, we have identified a need to update our current ITDR plan. We are requesting additional funding in the amount of \$300,000 for a disaster recovery and business continuity consultant with appropriate subject matter expertise as well as hardware to include routers, firewalls, and relevant network architecture

Enterprise Wireless (Wi-Fi) Network

To promote mobility, collaboration, and information accessibility, the Systems Division is requesting additional funding of \$300,000 to bring an enterprise wireless network to LACERA's headquarters in Pasadena. The wireless network will help staff stay connected while moving throughout our work site, and provide access to updated communications, documents, and applications on the network, anywhere, anytime. LACERA can also look to grow our network efficiently in the future by adding new users and locations without needing to run physical cables and wires, thereby reaching areas that may have been challenging to reach with a wired network. Additionally, a wireless network will improve our customer experience by offering secured network access to guest users, including members and business partners, while keeping your internal network resources protected.

Member Case Management System

An integrated Member Case Management System (CMS) will service all member support functions including benefits, member services, disability retirement, disability litigation and retiree healthcare. CMS will help with tracking cases and provide metrics to assess and improve customer service and operational efficiency. For example, we currently have 625 disability cases in the pipeline that are tracked manually, making the workflow management process labor intensive. The total estimated cost for this project is approximately \$300,000, however we expect the project timeline to cover multiple years. For the FY 2020-21 mid- year adjustment, we are requesting \$100,000 as part of the initial implementation costs.

Administrative Workflow Management System

To drive business growth, increase resiliency and enhance employee productivity, the Systems Division is requesting additional funding to implement an automated enterprise workflow solution. This estimate is for a workflow management system for administrative workflows, such as Human Resources (e.g. onboarding and out-of-service), IT Service Management (ITSM), Security, Operations, and Governance, Risk and Compliance (GRC). The solution will assist LACERA with creating; streamlining and improving many of the organizations paper based manual workflows and allowing us to generate meaningful metrics which help focus future improvement efforts and forecasting for budget purposes. The total estimated costs for this project are \$300,000 however; we expect the project timeline to cover multiple years. For the FY 2020-21 mid-year adjustment, we are requesting \$100,000 as part of the initial implementation costs.

Cloud Access Security Broker (CASB)

As LACERA moves more and more applications to a Cloud Service strategy, there is a need for more advance Access Control and Security. These advanced requirements will be achieved by acquiring a Cloud Access Security Broker or CASB solution. The additional funding for this solution is estimated at approximately \$150,000, which represents the acquisition costs and includes professional services and knowledge transfer from the vendor resources. This solution will provide necessary functionality for Cloud Based Data Loss Prevention (DLP), Secure Web Gateway (Internet Filtering), Cloud based Private Access (VPN) and Threat Protection. Additionally, as we move to the cloud and take advantage of the CASB features, we will have the opportunity for cost saving and discontinue some of the duplicate services currently active in our physical (on premise) data center.

IBM Mainframe & Microsoft Dynamics Great Plains (GP) Cloud Migration

To augment LACERA's existing Cloud Service Migration strategy, the organization has identified two critical systems that would benefit from an accelerated and focused effort to move those services to a vendor-hosted solution. The first system is LACERA's IBM Mainframe, which processes all the organizations batch jobs, and the second is Microsoft Dynamics Great Plains, which is our accounting and financial reporting software. The additional cloud migration funding for these two systems is estimated at approximately \$100,000 for each system (\$200,000 total) and includes the professional resources and services needed to migrate our existing infrastructure to a resilient cloud-based infrastructure. Additionally, moving these two services to the cloud will further enhance the organizations disaster recovery program should LACERA's building become inoperable.

Budget System Software

In alignment with our strategic initiative to revamp the budget process we are requesting additional funding in the amount of \$140,000 to implement budget software to assist with preparing the LACERA budgets. Our current budget development process is manual and includes many interconnected Excel spreadsheets. With the manual process, data changes are cumbersome, time consuming and prone to errors. The automated system will enable the budget team to develop the budget quicker, monitor trends and develop budget to actual reports with ease. The budget software will also support LACERA’s move to tie the strategic initiatives to the budget.

Building Costs

On April 4, 1990, LACERA formed the LACERA Gateway Plaza Property Inc. Title Holding Corporation and on April 17, 1990, the corporation successfully acquired the Gateway Property office building located at 300 N. Lake Avenue in Pasadena, California. On January 1, 1991, LACERA signed a lease to occupy 83,593 square feet of office space. The multi-tenant asset is held as part of LACERA’s real estate investment portfolio and managed by the Investment Office. In matters relating to LACERA’s tenancy in the building, the Investment Office acts on behalf of the owner and Administrative Services acts on behalf of the tenant.

The original lease agreement was for 10 years with the right to extend the lease for five consecutive five-year periods, until December 31, 2025. Over the years, LACERA operations expanded and we currently occupy 130,324 square feet or 45.9% of the space in the building. Space occupancy changes were added as amendments to the original lease agreement. The lease is set to expire on December 31, 2020. See space listing outlined below:

Suite #	Tenant	SQF
100	LACERA	6,777
200	LACERA	5,078
300	LACERA	21,996
500	LACERA	22,170
600	LACERA	22,252
700	LACERA	22,333
800	LACERA	22,414
1000	LACERA	2,539
Total Premises		125,559
LL-9, 11 & 65	LACERA STORAGE	4,765
Total Premises plus Storage		130,324

LACERA has historically only paid its pro-rata share of operating expenses and the base rent was abated. This practice was established in recognition of the fact that funds paid from LACERA as rent were received by LACERA as income from the investment property. These two factors cancelled each other out, resulting in a net zero impact to the fund. While there was no net economic impact, there are two other implications. First, LACERA's operating expenses as a rent paying tenant are understated since the base rent is not being paid. Second, the income from the investment is understated since base rent from LACERA is not being received.

Staff now proposes to improve transparency and more accurately reflect the true cost of LACERA operations by amending prior practice to have LACERA pay base rent. This would result in the administrative expenses for LACERA reflecting the true cost of occupancy in the building. Similarly, it would result in the investment income from the building accurately reflecting the true economics of building ownership.

We are currently negotiating the final five-year extension of the lease with modifications to consolidate all the additional space amendments signed over the years into one single agreement. The new modified extension lease will reflect costs that include an initial base rental rate of \$3.55 per square foot per month, which is the current market rate for the occupied space. This rate is inclusive of operating expenses in the first year. The base rental rate would increase by 3% annually and, in addition, LACERA would pay its pro-rata share 45.9% of any increases in operating expenses. The total cost over the five-year period is estimated to total \$29,763,821 as listed below:

Standard Rent Structure								
Modified Gross Lease								
Calendar Year	Premises Rent*		Storage Rent		OpEx Calculation**		Total	\$/RSF
2021	\$3.55	5,348,813	\$1.50	7,148	N/A - Base Year		5,355,961	\$3.42
2022	\$3.66	5,514,551	\$1.50	7,148	45.90%	123,521	5,645,219	\$3.61
2023	\$3.77	5,680,289	\$1.50	7,148	45.90%	254,453	5,941,889	\$3.80
2024	\$3.88	5,846,027	\$1.50	7,148	45.90%	393,241	6,246,415	\$3.99
2025	\$4.00	6,026,832	\$1.50	7,148	45.90%	540,356	6,574,336	\$4.20
Total							29,763,821	

* Rent increases 3% annually

** Operating Expense estimated to increase 6% annually

Based on this estimate, we are requesting an increase to the budget of \$1,960,600 to account for the new modified extension lease amount that will start on January 1, 2021. This will increase the Building Operational Costs budget from 1,700,000 to 3,660,600. This figure represents the incremental amount needed to cover rental costs for the second half of FY 2020-21. The lease agreement and the costs outlined above are based on a calendar year.

The chart below provides a comparison of cost between the two lease structures.

LACERA Rent Comparison			
Calendar Year	OpEx Only Rent	OpEx & Base Rent	Difference
2021	2,092,183	5,355,961	3,263,778
2022	2,217,714	5,645,219	3,427,506
2023	2,350,777	5,941,889	3,591,113
2024	2,491,823	6,246,415	3,754,592
2025	2,641,333	6,574,336	3,933,003
Totals	11,793,829	29,763,821	17,969,992

The new modified extension lease will have impacts to future budgets. Because the new agreement includes the actual rental costs, the increase in future budgets will reflect the full year cost of the lease as represented by the “standard rent” column in the chart above. For LACERA’s upcoming FY 2021-22 budget, the rent is estimated at \$5,500,590 and will reflect an increase of 223.6% over the prior budget amount of \$1,700,000.

All the costs listed above are estimated until the lease negotiation is complete. LACERA is working to independently verify the market value rates to ensure we are paying a fair market value for the space lease. Details of the lease proposal will be presented to the Board of Retirement for approval at the December 2, 2020 meeting.

COVID Related Expenses

Increased costs to safeguard staff and members related to COVID, include Personal Protective Equipment such as face masks, gloves, disinfectant wipes, hand sanitizers and air purifiers. Additional expenses include enhanced COVID related cleanings and workplace modifications to meet spacing requirements. We estimate this amount to be \$276,000.

Recruitment Expenses

During this fiscal year, Human Resources will engage various executive recruiting firms to find qualified candidates to permanently fill LACERA’s Deputy Chief Executive Officer, Assistant Executive Officer, Chief Technology Officer, and Chief Information Security Officer positions. The typical amount paid to an executive recruiting firm is approximately one-third of the hired candidate’s salary. We estimate the additional recruitment expense to be \$255,000. The current recruitment budget of \$200,000 cannot absorb these anticipated costs.

Transportation and Travel Expenses

Because of the uncertainty surrounding the COVID-19 pandemic, Transportation and Travel expense categories were reduced in the adopted budget by 32% from the prior year budget. Because the uncertainty remains, we will continue our no travel directive on international, national, and local travel by staff. We deem it highly unlikely that staff travel will resume to its pre-crisis level. As such, we further reduced the Transportation and Travel budget by \$382,500 or 41.9% to reflect the anticipated travel constraints through the end of the fiscal year.

In the meantime, and until the travel situation changes for the better, we continue to encourage Trustees and staff, to participate in educational conferences and training via webinar. Staff with educational requirements for licenses or certifications have been encouraged to obtain that education online, instead of traveling

Retiree Healthcare Budget and Other Post Employment Benefit Trust Budget

We carefully reviewed the Retiree Healthcare (RHC) Budget assumptions to determine if adjustments should be recommended. Hiring plan timelines also shifted for RHC due to the COVID-19 pandemic. As a result, we reduced permanent salaries and variable benefits and increased temporary staff funding to account for positions remaining vacant longer and retaining temporary staff for a longer period. Based on this analysis, we reduced Permanent Salaries and Variable Benefits by \$562,307 and increased Temporary staff expenses by \$308,000. The net affect was a decrease in Salaries and Employee Benefits of \$254,307.

RHC Transportation and Travel expenses were reduced by \$25,000 to reflect the anticipated travel constraints because of the Coronavirus.

Similarly, our review of the OPEB Trust concluded that no further modifications are required at this time.

CONCLUSION

The proposed amendments to the Administrative Budget results in an estimated total budget of \$101,623,117. This is a \$3.9 million increase compared to the original adopted budget of \$97,726,389 and represents a 4% increase in the budget appropriation.

The proposed amendments to the Retiree Healthcare Budget results in an estimated total budget of \$9,153,667. This is a \$279,307 decrease compared to the original adopted budget of \$9,432,974 and represents a 3% decrease in the budget appropriation.

Each Trustee, Joint Organizational Governance Committee
Re: FY 2020-21 Mid-Year Budget Amendments
November 10, 2020
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The proposed adjustments were well considered and represent funding necessary to maintain operations at peak levels and support the achievement of our strategic goals and initiatives.

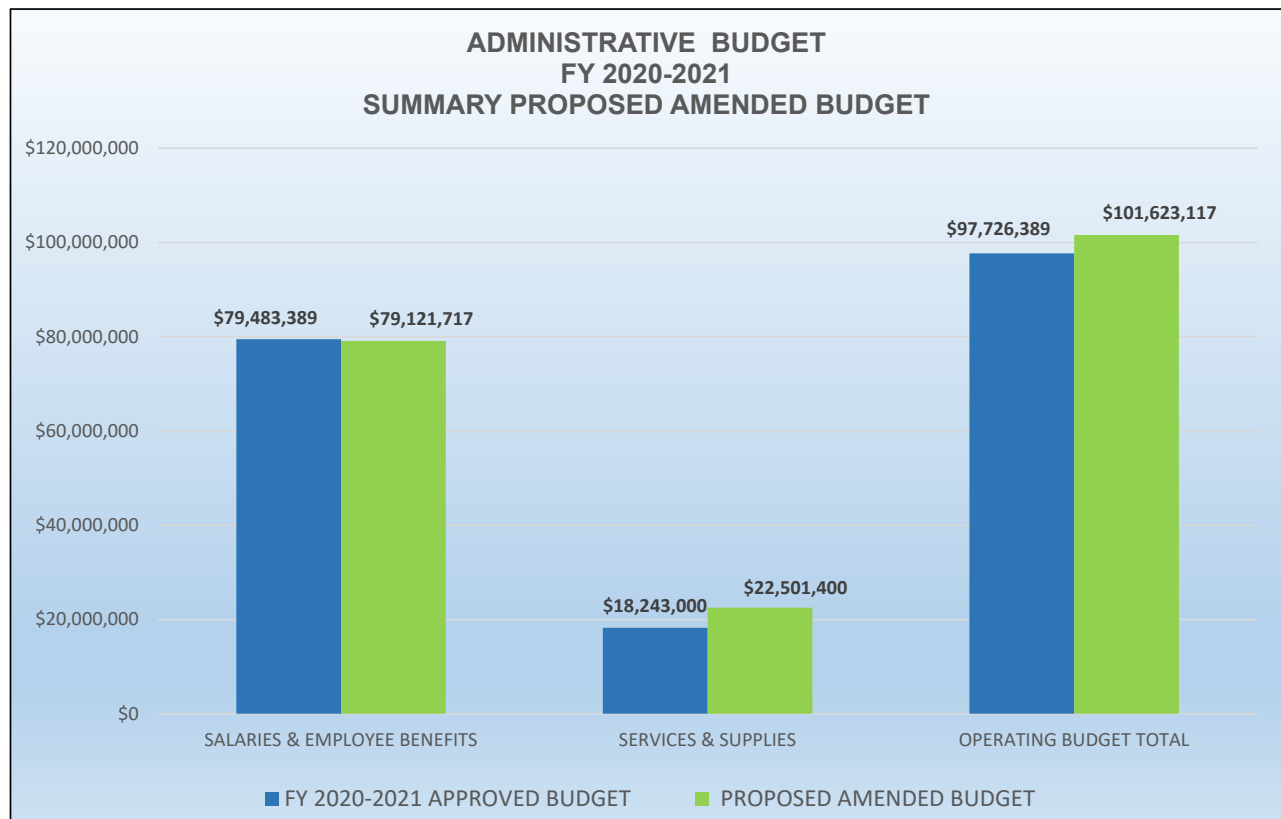
We look forward to discussing our proposed budget adjustments with the JOGC in more detail at our meeting scheduled for November 17, 2020.

KH:JJ:SHK:nm

Attachment (1)

**FY 2020-2021
PROPOSED MID YEAR BUDGET AMENDMENT
FINANCIAL SUMMARIES**

ADMINISTRATIVE BUDGET	FY 2020-2021 APPROVED BUDGET	MID-YEAR ADJUSTMENT AMOUNT	PROPOSED AMENDED BUDGET	% CHANGE
SALARIES & EMPLOYEE BENEFITS	\$79,483,389	(\$361,672)	\$79,121,717	-0.5%
SERVICES & SUPPLIES	\$18,243,000	\$4,258,400	\$22,501,400	23.3%
OPERATING BUDGET TOTAL	\$97,726,389	\$3,896,728	\$101,623,117	4.0%



**PROPOSED AMENDED ADMINISTRATIVE BUDGET
BY DIVISION**

DIVISION	FY 2020-2021 APPROVED BUDGET	MID-YEAR ADJUSTMENT AMOUNT	PROPOSED AMENDED BUDGET	% CHANGE
Administrative Services	\$7,989,142	\$2,124,209	\$10,113,350	26.6%
Benefits	10,260,348	46,200	10,306,548	0.5%
Board of Retirement	284,000	(145,000)	139,000	-51.1%
Board of Investments	495,000	(224,000)	271,000	-45.3%
Communications	3,085,151	(211,283)	2,873,868	-6.8%
Disability Litigation	2,079,978	(1,500)	2,078,478	-0.1%
Disability Retirement	8,730,604	(19,319)	8,711,285	-0.2%
Executive Office	2,270,915	57,206	2,328,120	2.5%
Financial & Accounting Services	4,165,022	(162,695)	4,002,327	-3.9%
Human Resources	3,871,758	324,000	4,195,758	8.4%
Internal Audit	2,582,486	(2,900)	2,579,586	-0.1%
Investment Office	14,434,263	(92,800)	14,341,463	-0.6%
Legal Services	6,549,462	(177,256)	6,372,206	-2.7%
Member Services	9,761,207	(18,800)	9,742,407	-0.2%
Quality Assurance	3,384,955	(109,863)	3,275,093	-3.2%
Systems	17,782,099	2,510,529	20,292,628	14.1%
TOTAL	\$97,726,389	\$3,896,728	\$101,623,117	4.0%

**PROPOSED AMENDED ADMINISTRATIVE BUDGET
BY S&EB CATEGORY**

S&EB CATEGORY	FY 2020-2021 APPROVED BUDGET	MID-YEAR ADJUSTMENT AMOUNT	PROPOSED AMENDED BUDGET	% CHANGE
<u>SALARIES & OTHER PAYS</u>				
Permanent / County Temporary	\$48,117,819	(\$1,772,090)	\$46,345,730	-3.7%
Agency Temporary	1,669,500	2,156,500	3,826,000	129.2%
LACERA Intern Program	0	72,000	72,000	0.0%
Stipends	65,000	0	65,000	0.0%
Overtime	801,900	0	801,900	0.0%
Bilingual Bonus	21,600	0	21,600	0.0%
Transportation Allowance	0	7,200	7,200	0.0%
Rideshare Allowance	70,300	0	70,300	0.0%
Sickleave Buyback	66,500	0	66,500	0.0%
Reserve For Remuneration	0	0	0	0.0%
TOTAL SALARIES & OTHER PAYS	\$50,812,619	\$463,610	\$51,276,230	0.9%
<u>VARIABLE BENEFITS</u>				
Retirement	9,006,465	(262,153)	8,744,312	-2.9%
Fica Contribution	779,718	(18,771)	760,948	-2.4%
County Subsidy - Insurance	2,654,602	(162,393)	2,492,210	-6.1%
Options Plan	4,311,976	(123,201)	4,188,775	-2.9%
Life Insurance	18,735	(367)	18,369	-2.0%
Health Insurance Temps	277,043	0	277,043	0.0%
Flexible Benefit Plan	41,806	(4,387)	37,419	-10.5%
Thrift Plan / Horizons	1,508,445	(51,782)	1,456,663	-3.4%
Savings Plan	1,131,574	(38,520)	1,093,054	-3.4%
Pension Savings Plan	36,850	0	36,850	0.0%
Megaflex	4,707,637	(163,710)	4,543,926	-3.5%
TOTAL VARIABLE BENEFITS	\$24,474,851	(\$825,283)	\$23,649,568	-3.4%
OPEB CONTRIBUTION	\$1,234,919	\$0	\$1,234,919	0.0%
OTHER BENEFITS	\$2,961,000	\$0	\$2,961,000	0.0%
TOTAL EMPLOYEE BENEFITS	\$28,670,770	(\$825,283)	\$27,845,487	-2.9%
TOTAL SALARIES & EMPLOYEE BENEFITS	\$79,483,389	(\$361,672)	\$79,121,717	-0.5%

**PROPOSED AMENDED ADMINISTRATIVE BUDGET
BY S&S CATEGORY**

S&S CATEGORY	FY 2020-2021 APPROVED BUDGET	MID-YEAR ADJUSTMENT AMOUNT	PROPOSED AMENDED BUDGET	% CHANGE
Auto Expenses	\$36,800	\$0	\$36,800	0.0%
Communications	710,000	30,000	740,000	4.2%
Transportation & Travel	784,000	(328,500)	455,500	-41.9%
Postage	991,400	0	991,400	0.0%
Stationery & Forms	640,100	0	640,100	0.0%
Office Supplies & Equipment	837,000	122,000	959,000	14.6%
Insurance	714,900	33,400	748,300	4.7%
Equipment Maintenance	638,000	0	638,000	0.0%
Equipment Rents & Leases	310,000	0	310,000	0.0%
Building Costs	2,175,000	2,191,600	4,366,600	100.8%
Parking Fees	377,000	0	377,000	0.0%
Professional & Specialized Services	2,691,200	1,181,400	3,872,600	43.9%
Bank Services	204,000	(9,000)	195,000	-4.4%
Legal Fees & Services	435,500	0	435,500	0.0%
Disability Fees & Services	2,086,000	0	2,086,000	0.0%
Computer Services & Support	2,908,300	1,001,800	3,910,100	34.4%
Educational Expenses	1,221,700	(84,500)	1,137,200	-6.9%
Miscellaneous	482,100	120,200	602,300	24.9%
TOTAL	\$18,243,000	\$4,258,400	\$22,501,400	23.3%

**FY 2020-2021 Mid-Year Budget Adjustment
Salaries and Employee Benefits Walkthrough**

Description	FY 2020-2021 Approved Budget	Mid-Year Amended Budget S&EB Grand Total	Change
Gross Salary (1)	\$ 48,117,819	\$ 46,345,730	\$ (1,772,090)
Salary Differential	-	-	-
Permanent Salaries	\$ 48,117,819	\$ 46,345,730	\$ (1,772,090)
Outside Agency Temporary Staffing (2)	\$ 1,669,500	\$ 3,826,000	\$ 2,156,500
LACERA Intern Program (3)	\$ -	\$ 72,000	\$ 72,000
Variable Benefits (4)			
Retirement	\$ 9,006,465	\$ 8,744,312	\$ (262,153)
FICA Contribution	779,718	760,948	(18,770.83)
County Subsidy	2,654,602	2,492,210	(162,392.54)
Options Plan	4,311,976	4,188,775	(123,201.12)
Life Insurance	18,735	18,369	(366.61)
Health Insurance Temps	277,043	277,043	-
Flexible Benefit Plan	41,806	37,419	(4,387)
Thrift Plan/Horizons (3)	1,508,445	1,456,663	(51,781.61)
Savings Plan (4)	1,131,574	1,093,054	(38,520.04)
Pension Savings Plan	36,850	36,850	-
Megaflex	4,707,637	4,543,926	(163,710.19)
Total	\$ 24,474,851	\$ 23,649,568	\$ (825,283)
Other Benefits	\$ 2,961,000	\$ 2,961,000	\$ -
OPEB Contribution	\$ 1,234,919	\$ 1,234,919	\$ -
Stipends	\$ 65,000	\$ 65,000	\$ -
Overtime	\$ 801,900	\$ 801,900	\$ -
Bilingual Bonus	\$ 21,600	\$ 21,600	\$ -
Reserves for Remuneration	\$ -	\$ -	\$ -
Sickleave Buyback	\$ 66,500	\$ 66,500	\$ -
Rideshare Allowance	\$ 70,300	\$ 70,300	\$ -
Transportation Allowance (5)	\$ -	\$ 7,200	\$ 7,200
S&EB GRAND TOTAL	\$ 79,483,389	\$ 79,121,717	\$ (361,672)

- 1 Reflects a reduction in the use of Permanent Salaries due to salary savings from recruitment delays.
- 2 Reflects an addition in the use of temporary staff due to recruitment delays. The reliance of temporary staff is critical to mitigate any interruption of LACERA operations.
- 3 Reflects in an addition for LACERA Interns Program.
- 4 Reflects a reduction in the use of Variable Benefits due to salary savings from vacant positions/recruitment delays.
- 5 Reflects an addition in the use of Transportation Allowance for a Chief Officer.

*All amounts rounded to the nearest dollar.

**FY 2020-2021 Mid-Year Budget Adjustment
Services and Supplies Walkthrough**

Description	FY 2020-2021 Approved Budget	Mid-Year Amended Budget S&S Grand Total	Change
Auto Expenses	\$ 36,800	\$ 36,800	\$ -
Communications (1)	\$ 710,000	\$ 740,000	\$ 30,000
Transportation and Travel (2)	\$ 784,000	\$ 455,500	\$ (328,500)
Postage	\$ 991,400	\$ 991,400	\$ -
Stationery and Forms	\$ 640,100	\$ 640,100	\$ -
Office Supplies and Equipment (3)	\$ 837,000	\$ 959,000	\$ 122,000
Insurance (4)	\$ 714,900	\$ 748,300	\$ 33,400
Equipment Maintenance	\$ 638,000	\$ 638,000	\$ -
Equipment Rents and Leases	\$ 310,000	\$ 310,000	\$ -
Building Costs (5)	\$ 2,175,000	\$ 4,366,600	\$ 2,191,600
Parking Fees	\$ 377,000	\$ 377,000	\$ -
Professional and Specialized Services (6)	\$ 2,691,200	\$ 3,872,600	\$ 1,181,400
Bank Services (7)	\$ 204,000	\$ 195,000	\$ (9,000)
Legal Fees and Services	\$ 435,500	\$ 435,500	\$ -
Disability Fees and Services	\$ 2,086,000	\$ 2,086,000	\$ -
Computer Services and Support (8)	\$ 2,908,300	\$ 3,910,100	\$ 1,001,800
Educational Expenses (9)	\$ 1,221,700	\$ 1,137,200	\$ (84,500)
Miscellaneous (10)	\$ 482,100	\$ 602,300	\$ 120,200
S&S GRAND TOTAL	\$ 18,243,000	\$ 22,501,400	\$ 4,258,400

- 1 Reflects an addition in Communications due to Remote Support for communication billing cost (phone and internet lines for all LACERA staff with communication vendors).
- 2 Reflects a reduction in Transportation and Travel due to a reduction in staff travel as a result of COVID travel restrictions.
- 3 Increase in Office Supplies and Equipment due to additional fundings required for PPE supplies, HEPA air purifiers due to COVID, and additional purchases of laptops and other accessories to facilitate remote work by employees.
- 4 Reflects an addition in Insurance due to Cyber Liability insurance premium increase.
- 5 Reflects an addition for Building Costs due to rent costs for LACERA, Renovations, additional cleanings and modifications for various divisions due to COVID.
- 6 Reflects an addition in Professional and Specialized Services for Audits tasked by the Boards, Public & Media relations, and continued engagement with KH (Gayla) on the 100 Day Report and other projects. In addition, increases funding is needed to secure consultant services to assist with multi-phase approach to migrating critical systems information to a cloud based environment in a logical, safe and secure manner.
- 7 Reflects a reduction for Bank Services for Bank Charges (State Street) since RHC bank services amounts are now charged to RHC.
- 8 Reflects an addition in Computer Services and Support for IT related projects.
- 9 Reflects a reduction in Educational Expenses due to a reduction in Membership and Registration Fees for conferences/trainings as a result of COVID.
- 10 Reflects an addition in the use of Miscellaneous Expense for Recruitment purposes for high level executive searches from recruitment firms, reduction in Food/Beverages & Off-Site Board Expenses, and elimination of ECT Healthy Snacks.

Summary of FY 2020-21 Mid-Year Budget Adjustment

Description	FY 2020-2021 Approved Budget	Mid-Year Amended Budget Grand Total	Change
Salaries and Employee Benefits	\$ 79,483,389	\$ 79,121,717	\$ (361,672)
Services and Supplies	\$ 18,243,000	\$ 22,501,400	\$ 4,258,400
	\$ 97,726,389	\$ 101,623,117	\$ 3,896,728

**Summary of FY 2020-21 Mid-Year Budget Adjustment
Budgeted Positions Walkthrough**

Budgeted Positions	FY 2020-2021 Approved Budget	Mid-Year Amended Budget Grand Total # of Pos.
Approved	459.0	459.0
Addition/(Deletion)		0.0
Final Budgeted Positions Requested	459.0	459.0

*All amounts rounded to the nearest dollar.

**Board of Retirement FY 2020-2021 Mid-Year Budget Adjustment
Services and Supplies Walkthrough**

Description	FY 2020-2021 Approved Budget	Proposed Mid-Year Adjustment	Proposed Amended Budget Amount	% Change
Auto Expenses	\$ -	\$ -	\$ -	0.0%
Communications	\$ -	\$ -	\$ -	0.0%
Transportation and Travel (1)	\$ 146,000	\$ (61,000)	\$ 85,000	-41.8%
Postage	\$ -	\$ -	\$ -	0.0%
Stationery and Forms	\$ -	\$ -	\$ -	0.0%
Office Supplies and Equipment	\$ -	\$ -	\$ -	0.0%
Insurance	\$ -	\$ -	\$ -	0.0%
Equipment Maintenance	\$ -	\$ -	\$ -	0.0%
Equipment Rents and Leases	\$ -	\$ -	\$ -	0.0%
Building Costs	\$ -	\$ -	\$ -	0.0%
Parking Fees	\$ -	\$ -	\$ -	0.0%
Professional and Specialized Services	\$ -	\$ -	\$ -	0.0%
Bank Services	\$ -	\$ -	\$ -	0.0%
Legal Fees and Services	\$ -	\$ -	\$ -	0.0%
Disability Fees and Services	\$ -	\$ -	\$ -	0.0%
Computer Services and Support	\$ -	\$ -	\$ -	0.0%
Educational Expenses (2)	\$ 68,000	\$ (20,000)	\$ 48,000	-29.4%
Miscellaneous (3)	\$ 70,000	\$ (64,000)	\$ 6,000	-91.4%
S&S GRAND TOTAL	\$ 284,000	\$ (145,000)	\$ 139,000	-51.1%

- 1 Reflects a reduction in Transportation and Travel due to a reduction in staff travel as a result of COVID travel restrictions.
- 2 Reflects a reduction in Educational Expenses for Memberships and Registration Fees.
- 3 Reflects a reduction in Miscellaneous Expenses for Offsite Board Meeting Expenses and Food/Beverages

Board of Retirement Summary of FY 2020-21 Mid-Year Budget Adjustment

Description	FY 2020-2021 Approved Budget	Proposed Mid-Year Adjustment	Proposed Amended Budget Amount	% Change
Salaries and Employee Benefits	\$ -	\$ -	\$ -	0.0%
Services and Supplies	\$ 284,000	\$ (145,000)	\$ 139,000	-51.1%
	\$ 284,000	\$ (145,000)	\$ 139,000	-51.1%

*All amounts rounded to the nearest dollar.

**Board of Investments FY 2020-2021 Mid-Year Budget Adjustment
Services and Supplies Walkthrough**

Description	FY 2020-2021 Approved Budget	Proposed Mid-Year Adjustment	Proposed Amended Budget Amount	% Change
Auto Expenses	\$ -	\$ -	\$ -	0.0%
Communications	\$ -	\$ -	\$ -	0.0%
Transportation and Travel (1)	\$ 245,000	\$ (100,000)	\$ 145,000	-40.8%
Postage	\$ -	\$ -	\$ -	0.0%
Stationery and Forms	\$ -	\$ -	\$ -	0.0%
Office Supplies and Equipment	\$ -	\$ -	\$ -	0.0%
Insurance	\$ -	\$ -	\$ -	0.0%
Equipment Maintenance	\$ -	\$ -	\$ -	0.0%
Equipment Rents and Leases	\$ -	\$ -	\$ -	0.0%
Building Costs	\$ -	\$ -	\$ -	0.0%
Parking Fees	\$ -	\$ -	\$ -	0.0%
Professional and Specialized Services	\$ -	\$ -	\$ -	0.0%
Bank Services	\$ -	\$ -	\$ -	0.0%
Legal Fees and Services	\$ -	\$ -	\$ -	0.0%
Disability Fees and Services	\$ -	\$ -	\$ -	0.0%
Computer Services and Support	\$ -	\$ -	\$ -	0.0%
Educational Expenses (2)	\$ 175,000	\$ (55,000)	\$ 120,000	-31.4%
Miscellaneous (3)	\$ 75,000	\$ (69,000)	\$ 6,000	-92.0%
S&S GRAND TOTAL	\$ 495,000	\$ (224,000)	\$ 271,000	-45.3%

- 1 Reflects a reduction in Transportation and Travel due to a reduction in staff travel as a result of COVID travel restrictions.
- 2 Reflects a reduction in Educational Expenses for Memberships and Registration Fees.
- 3 Reflects a reduction in Miscellaneous Expenses for Offsite Board Meeting Expenses and Food/Beverages

Board of Investments Summary of FY 2020-21 Mid-Year Budget Adjustment

Description	FY 2020-2021 Approved Budget	Proposed Mid-Year Adjustment	Proposed Amended Budget Amount	% Change
Salaries and Employee Benefits	\$ -	\$ -	\$ -	0.0%
Services and Supplies	\$ 495,000	\$ (224,000)	\$ 271,000	-45.3%
	\$ 495,000	\$ (224,000)	\$ 271,000	-45.3%

*All amounts rounded to the nearest dollar.

**Administrative Services FY 2020-2021 Mid-Year Budget Adjustment
Salaries and Employee Benefits Walkthrough**

Description	FY 2020-2021 Approved Budget	Proposed Mid-Year Adjustment	Proposed Amended Budget Amount	% Change
Gross Salary (1)	\$ 2,351,705	\$ (311,495)	\$ 2,040,210	-13.2%
Salary Differential	-	-	-	0.0%
Permanent Salaries	<u>\$ 2,351,705</u>	<u>\$ (311,495)</u>	<u>\$ 2,040,210</u>	<u>-13.2%</u>
Outside Agency Temporary Staffing (2)	\$ 75,700	\$ 229,500	\$ 305,200	303.2%
LACERA Intern Program	\$ -	\$ -	\$ -	0.0%
Variable Benefits (3)				
Retirement	\$ 428,954	\$ (10,452)	\$ 418,502	-2.4%
FICA Contribution	32,087	(1,301)	30,786	-4.1%
County Subsidy	46,992	(8,971)	38,021	-19.1%
Options Plan	558,279	(27,746)	530,533	-5.0%
Life Insurance	1,337	(37)	1,301	-2.7%
Health Insurance Temps	-	-	-	0.0%
Flexible Benefit Plan	24,336	(4,387)	19,949	-18.0%
Thrift Plan/Horizons	63,028	(3,589)	59,440	-5.7%
Savings Plan	15,793	(974)	14,819	-6.2%
Pension Savings Plan	-	-	-	0.0%
Megaflex	60,759	(4,140)	56,620	-6.8%
Total	<u>\$ 1,231,566</u>	<u>\$ (61,596)</u>	<u>\$ 1,169,970</u>	<u>-5.0%</u>
Other Benefits	\$ 144,716	\$ -	\$ 144,716	0.0%
OPEB Contribution	\$ 60,355	\$ -	\$ 60,355	0.0%
Stipends	\$ -	\$ -	\$ -	0.0%
Overtime	\$ 43,700	\$ -	\$ 43,700	0.0%
Bilingual Bonus	\$ -	\$ -	\$ -	0.0%
Reserves for Remuneration	\$ -	\$ -	\$ -	0.0%
Sickleave Buyback	\$ 7,300	\$ -	\$ 7,300	0.0%
Rideshare Allowance	\$ 6,900	\$ -	\$ 6,900	0.0%
Transportation Allowance	\$ -	\$ -	\$ -	0.0%
S&EB GRAND TOTAL	<u>\$ 3,921,942</u>	<u>\$ (143,591)</u>	<u>\$ 3,778,350</u>	<u>-3.7%</u>

- 1 Reflects a reduction in the use of permanent salaries for current vacant positions' salary savings due to recruitment delays.
- 2 Reflects an addition in the use of temporary staff due to recruitment delays. The reliance of temporary staff is critical and essential to Administrative Services' current operation in order to mitigate any delays in projects, document processing for members, etc. during this fiscal year.
- 3 Reflects a reduction in the use of Variable Benefits for current vacant positions' VB savings due to recruitment delays.

*All amounts rounded to the nearest dollar.

**Administrative Services FY 2020-2021 Mid-Year Budget Adjustment
Services and Supplies Walkthrough**

Description	FY 2020-2021 Approved Budget	Proposed Mid-Year Adjustment	Proposed Amended Budget Amount	% Change
Auto Expenses	\$ 12,500	\$ -	\$ 12,500	0.0%
Communications	\$ -	\$ -	\$ -	0.0%
Transportation and Travel (1)	\$ 8,500	\$ (2,200)	\$ 6,300	-25.9%
Postage	\$ 301,400	\$ -	\$ 301,400	0.0%
Stationery and Forms	\$ 3,500	\$ -	\$ 3,500	0.0%
Office Supplies and Equipment (2)	\$ 301,000	\$ 45,000	\$ 346,000	15.0%
Insurance (3)	\$ 714,900	\$ 33,400	\$ 748,300	4.7%
Equipment Maintenance	\$ 5,800	\$ -	\$ 5,800	0.0%
Equipment Rents and Leases	\$ 310,000	\$ -	\$ 310,000	0.0%
Building Costs (4)	\$ 2,175,000	\$ 2,191,600	\$ 4,366,600	100.8%
Parking Fees	\$ -	\$ -	\$ -	0.0%
Professional and Specialized Services	\$ 213,000	\$ -	\$ 213,000	0.0%
Bank Services	\$ -	\$ -	\$ -	0.0%
Legal Fees and Services	\$ -	\$ -	\$ -	0.0%
Disability Fees and Services	\$ -	\$ -	\$ -	0.0%
Computer Services and Support	\$ -	\$ -	\$ -	0.0%
Educational Expenses	\$ 6,600	\$ -	\$ 6,600	0.0%
Miscellaneous	\$ 15,000	\$ -	\$ 15,000	0.0%
S&S GRAND TOTAL	\$ 4,067,200	\$ 2,267,800	\$ 6,335,000	55.8%

- 1 Reflects a reduction in Transportation and Travel due to a reduction in staff travel as a result of COVID travel restrictions.
- 2 Reflects an addition for Office Supplies and Equipment for PPE supplies and HEPA air purifiers due to COVID.
- 3 Reflects an addition for Insurance due to Cyber Liability insurance premium increase.
- 4 Reflects an addition for Building Costs due to rent costs for LACERA, Renovations, additional cleanings and modifications for various divisions due to COVID.

Administrative Services Summary of FY 2020-21 Mid-Year Budget Adjustment

Description	FY 2020-2021 Approved Budget	Proposed Mid-Year Adjustment	Proposed Amended Budget Amount	% Change
Salaries and Employee Benefits	\$ 3,921,942	\$ (143,591)	\$ 3,778,350	-3.7%
Services and Supplies	\$ 4,067,200	\$ 2,267,800	\$ 6,335,000	55.8%
	\$ 7,989,142	\$ 2,124,209	\$ 10,113,350	26.6%

**Summary of FY 2020-21 Mid-Year Budget Adjustment
Budgeted Positions Walkthrough**

Budgeted Positions	Administrative Services
Approved	36.0
Addition/(Deletion)	
Final Budgeted Positions Requested	<u>36.0</u>

*All amounts rounded to the nearest dollar.

**Benefits Division FY 2020-2021 Mid-Year Budget Adjustment
Salaries and Employee Benefits Walkthrough**

Description	FY 2020-2021 Approved Budget	Proposed Mid-Year Adjustment	Proposed Amended Budget Amount	% Change
Gross Salary	\$ 5,916,222	\$ -	\$ 5,916,222	0.0%
Salary Differential	-	-	-	0.0%
Permanent Salaries	<u>\$ 5,916,222</u>	<u>\$ -</u>	<u>\$ 5,916,222</u>	<u>0.0%</u>
Outside Agency Temporary Staffing (1)	\$ -	\$ 47,700	\$ 47,700	0.0%
LACERA Intern Program	\$ -	\$ -	\$ -	0.0%
Variable Benefits				
Retirement	\$ 1,281,527	\$ -	\$ 1,281,527	0.0%
FICA Contribution	100,736	-	100,736	0.0%
County Subsidy	164,040	-	164,040	0.0%
Options Plan	1,366,817	-	1,366,817	0.0%
Life Insurance	7,043	-	7,043	0.0%
Health Insurance Temps	6,059	-	6,059	0.0%
Flexible Benefit Plan	-	-	-	0.0%
Thrift Plan/Horizons	207,154	-	207,154	0.0%
Savings Plan	28,003	-	28,003	0.0%
Pension Savings Plan	1,928	-	1,928	0.0%
Megaflex	195,720	-	195,720	0.0%
Total	<u>\$ 3,359,026</u>	<u>\$ -</u>	<u>\$ 3,359,026</u>	<u>0.0%</u>
Other Benefits	\$ 364,063	\$ -	\$ 364,063	0.0%
OPEB Contribution	\$ 151,837	\$ -	\$ 151,837	0.0%
Stipends	\$ -	\$ -	\$ -	0.0%
Overtime	\$ 371,600	\$ -	\$ 371,600	0.0%
Bilingual Bonus	\$ 2,400	\$ -	\$ 2,400	0.0%
Reserves for Remuneration	\$ -	\$ -	\$ -	0.0%
Sickleave Buyback	\$ 12,000	\$ -	\$ 12,000	0.0%
Rideshare Allowance	\$ 16,300	\$ -	\$ 16,300	0.0%
Transportation Allowance	\$ -	\$ -	\$ -	0.0%
S&EB GRAND TOTAL	<u>\$ 10,193,448</u>	<u>\$ 47,700</u>	<u>\$ 10,241,148</u>	<u>0.5%</u>

1 Reflects an addition in the use of temporary staff due to recruitment delays. The reliance of temporary staff is critical and essential to Benefits Division's current operation in order to mitigate any delays in projects, claim processing, etc. during this fiscal year.

*All amounts rounded to the nearest dollar.

**Benefits Division FY 2020-2021 Mid-Year Budget Adjustment
Services and Supplies Walkthrough**

Description	FY 2020-2021 Approved Budget	Proposed Mid-Year Adjustment	Proposed Amended Budget Amount	% Change
Auto Expenses	\$ -	\$ -	\$ -	0.0%
Communications	\$ -	\$ -	\$ -	0.0%
Transportation and Travel (1)	\$ 6,000	\$ (1,500)	\$ 4,500	-25.0%
Postage	\$ -	\$ -	\$ -	0.0%
Stationery and Forms	\$ -	\$ -	\$ -	0.0%
Office Supplies and Equipment	\$ 3,700	\$ -	\$ 3,700	0.0%
Insurance	\$ -	\$ -	\$ -	0.0%
Equipment Maintenance	\$ -	\$ -	\$ -	0.0%
Equipment Rents and Leases	\$ -	\$ -	\$ -	0.0%
Building Costs	\$ -	\$ -	\$ -	0.0%
Parking Fees	\$ -	\$ -	\$ -	0.0%
Professional and Specialized Services	\$ 40,000	\$ -	\$ 40,000	0.0%
Bank Services	\$ -	\$ -	\$ -	0.0%
Legal Fees and Services	\$ -	\$ -	\$ -	0.0%
Disability Fees and Services	\$ -	\$ -	\$ -	0.0%
Computer Services and Support	\$ -	\$ -	\$ -	0.0%
Educational Expenses	\$ 15,700	\$ -	\$ 15,700	0.0%
Miscellaneous	\$ 1,500	\$ -	\$ 1,500	0.0%
S&S GRAND TOTAL	\$ 66,900	\$ (1,500)	\$ 65,400	-2.2%

1 Reflects a reduction in Transportation and Travel due to a reduction in staff travel as a result of COVID travel restrictions.

Benefits Division Summary of FY 2020-21 Mid-Year Budget Adjustment

Description	FY 2020-2021 Approved Budget	Proposed Mid-Year Adjustment	Proposed Amended Budget Amount	% Change
Salaries and Employee Benefits	\$ 10,193,448	\$ 47,700	\$ 10,241,148	0.5%
Services and Supplies	\$ 66,900	\$ (1,500)	\$ 65,400	-2.2%
	\$ 10,260,348	\$ 46,200	\$ 10,306,548	0.5%

**Summary of FY 2020-21 Mid-Year Budget Adjustment
Budgeted Positions Walkthrough**

Budgeted Positions	Benefits
Approved	71.0
Addition/(Deletion)	
Final Budgeted Positions Requested	<u>71.0</u>

*All amounts rounded to the nearest dollar.

**Communications FY 2020-2021 Mid-Year Budget Adjustment
Salaries and Employee Benefits Walkthrough**

Description	FY 2020-2021 Approved Budget	Proposed Mid-Year Adjustment	Proposed Amended Budget Amount	% Change
Gross Salary (1)	\$ 1,264,352	\$ (209,019)	\$ 1,055,333	-16.5%
Salary Differential	-	-	-	0.0%
Permanent Salaries	\$ 1,264,352	\$ (209,019)	\$ 1,055,333	-16.5%
Outside Agency Temporary Staffing (2)	\$ -	\$ 135,700	\$ 135,700	0.0%
LACERA Intern Program	\$ -	\$ -	\$ -	0.0%
Variable Benefits (3)				
Retirement	\$ 251,282	(\$33,589)	\$ 217,693	-13.4%
FICA Contribution	20,855	(\$3,031)	17,824	-14.5%
County Subsidy	104,451	(\$35,533)	68,917	-34.0%
Options Plan	177,356	(23,414)	153,942	-13.2%
Life Insurance	284	(19)	265	-6.7%
Health Insurance Temps	-	0	-	0.0%
Flexible Benefit Plan	-	0	-	0.0%
Thrift Plan/Horizons	35,247	(\$8,361)	26,886	-23.7%
Savings Plan	16,624	(\$5,337)	11,287	-32.1%
Pension Savings Plan	-	0	-	0.0%
Megaflex	84,549	(22,681)	61,868	-26.8%
Total	\$ 690,647	\$ (131,964)	\$ 558,683	-19.1%
Other Benefits	\$ 77,804	\$ -	\$ 77,804	0.0%
OPEB Contribution	\$ 32,449	\$ -	\$ 32,449	0.0%
Stipends	\$ -	\$ -	\$ -	0.0%
Overtime	\$ 3,300	\$ -	\$ 3,300	0.0%
Bilingual Bonus	\$ -	\$ -	\$ -	0.0%
Reserves for Remuneration	\$ -	\$ -	\$ -	0.0%
Sickleave Buyback	\$ 3,500	\$ -	\$ 3,500	0.0%
Rideshare Allowance	\$ 1,000	\$ -	\$ 1,000	0.0%
Transportation Allowance	\$ -	\$ -	\$ -	0.0%
S&EB GRAND TOTAL	\$ 2,073,051	\$ (205,283)	\$ 1,867,768	-9.9%

- 1 Reflects a deduction in the use of permanent salaries for current vacant positions' salary savings due to recruitment delays.
- 2 Reflects an addition in the use of temporary staff due to recruitment delays. The reliance of temporary staff is critical and essential to Communications' current operation in order to mitigate any delays in projects, communication to staff, members, etc. during this fiscal year.
- 3 Reflects a deduction in the use of Variable Benefits for current vacant positions' VB savings due to recruitment delays.

*All amounts rounded to the nearest dollar.

**Communications FY 2020-2021 Mid-Year Budget Adjustment
Services and Supplies Walkthrough**

Description	FY 2020-2021 Approved Budget	Proposed Mid-Year Adjustment	Proposed Amended Budget Amount	% Change
Auto Expenses	\$ -	\$ -	\$ -	0.0%
Communications	\$ -	\$ -	\$ -	0.0%
Transportation and Travel (1)	\$ 8,000	\$ (6,000)	\$ 2,000	-75.0%
Postage	\$ 300,000	\$ -	\$ 300,000	0.0%
Stationery and Forms	\$ 636,600	\$ -	\$ 636,600	0.0%
Office Supplies and Equipment	\$ 8,000	\$ -	\$ 8,000	0.0%
Insurance	\$ -	\$ -	\$ -	0.0%
Equipment Maintenance	\$ -	\$ -	\$ -	0.0%
Equipment Rents and Leases	\$ -	\$ -	\$ -	0.0%
Building Costs	\$ -	\$ -	\$ -	0.0%
Parking Fees	\$ -	\$ -	\$ -	0.0%
Professional and Specialized Services	\$ 32,000	\$ -	\$ 32,000	0.0%
Bank Services	\$ -	\$ -	\$ -	0.0%
Legal Fees and Services	\$ -	\$ -	\$ -	0.0%
Disability Fees and Services	\$ -	\$ -	\$ -	0.0%
Computer Services and Support	\$ 16,500	\$ -	\$ 16,500	0.0%
Educational Expenses	\$ 10,400	\$ -	\$ 10,400	0.0%
Miscellaneous	\$ 600	\$ -	\$ 600	0.0%
S&S GRAND TOTAL	\$ 1,012,100	\$ (6,000)	\$ 1,006,100	-0.6%

1 Reflects a reduction in Transportation and Travel due to a reduction in staff travel as a result of COVID travel restrictions.

Communications Summary of FY 2020-21 Mid-Year Budget Adjustment

Description	FY 2020-2021 Approved Budget	Proposed Mid-Year Adjustment	Proposed Amended Budget Amount	% Change
Salaries and Employee Benefits	\$ 2,073,051	\$ (205,283)	\$ 1,867,768	-9.9%
Services and Supplies	\$ 1,012,100	\$ (6,000)	\$ 1,006,100	-0.6%
	\$ 3,085,151	\$ (211,283)	\$ 2,873,868	-6.8%

**Summary of FY 2020-21 Mid-Year Budget Adjustment
Budgeted Positions Walkthrough**

Budgeted Positions	Communications
Approved	14.0
Addition/(Deletion)	
Final Budgeted Positions Requested	<u>14.0</u>

*All amounts rounded to the nearest dollar.

**Disability Litigation FY 2020-2021 Mid-Year Budget Adjustment
Salaries and Employee Benefits Walkthrough**

Description	FY 2020-2021 Approved Budget	Proposed Mid-Year Adjustment	Proposed Amended Budget Amount	% Change
Gross Salary	\$ 1,256,001	\$ -	\$ 1,256,001	0.0%
Salary Differential	-	-	-	0.0%
Permanent Salaries	<u>\$ 1,256,001</u>	<u>\$ -</u>	<u>\$ 1,256,001</u>	<u>0.0%</u>
Outside Agency Temporary Staffing	\$ 8,700	\$ -	\$ 8,700	0.0%
LACERA Intern Program	\$ -	\$ -	\$ -	0.0%
Variable Benefits				
Retirement	\$ 256,684	\$ -	\$ 256,684	0.0%
FICA Contribution	20,738	-	20,738	0.0%
County Subsidy	93,319	-	93,319	0.0%
Options Plan	-	-	-	0.0%
Life Insurance	-	-	-	0.0%
Health Insurance Temps	-	-	-	0.0%
Flexible Benefit Plan	-	-	-	0.0%
Thrift Plan/Horizons	47,893	-	47,893	0.0%
Savings Plan	57,717	-	57,717	0.0%
Pension Savings Plan	-	-	-	0.0%
Megaflex	184,401	-	184,401	0.0%
Total	<u>\$ 660,752</u>	<u>\$ -</u>	<u>\$ 660,752</u>	<u>0.0%</u>
Other Benefits	\$ 77,290	\$ -	\$ 77,290	0.0%
OPEB Contribution	\$ 32,235	\$ -	\$ 32,235	0.0%
Stipends	\$ -	\$ -	\$ -	0.0%
Overtime	\$ -	\$ -	\$ -	0.0%
Bilingual Bonus	\$ -	\$ -	\$ -	0.0%
Reserves for Remuneration	\$ -	\$ -	\$ -	0.0%
Sickleave Buyback	\$ -	\$ -	\$ -	0.0%
Rideshare Allowance	\$ 900	\$ -	\$ 900	0.0%
Transportation Allowance	\$ -	\$ -	\$ -	0.0%
S&EB GRAND TOTAL	<u>\$ 2,035,878</u>	<u>\$ -</u>	<u>\$ 2,035,878</u>	<u>0.0%</u>

*All amounts rounded to the nearest dollar.

**Disability Litigation FY 2020-2021 Mid-Year Budget Adjustment
Services and Supplies Walkthrough**

Description	FY 2020-2021		Proposed Mid-Year Adjustment	Proposed Amended Budget Amount	% Change
	Approved Budget				
Auto Expenses	\$ 3,100	\$ -	\$ -	\$ 3,100	0.0%
Communications	\$ -	\$ -	\$ -	\$ -	0.0%
Transportation and Travel (1)	\$ 6,000	\$ (1,500)	\$ -	\$ 4,500	-25.0%
Postage	\$ -	\$ -	\$ -	\$ -	0.0%
Stationery and Forms	\$ -	\$ -	\$ -	\$ -	0.0%
Office Supplies and Equipment	\$ 1,800	\$ -	\$ -	\$ 1,800	0.0%
Insurance	\$ -	\$ -	\$ -	\$ -	0.0%
Equipment Maintenance	\$ -	\$ -	\$ -	\$ -	0.0%
Equipment Rents and Leases	\$ -	\$ -	\$ -	\$ -	0.0%
Building Costs	\$ -	\$ -	\$ -	\$ -	0.0%
Parking Fees	\$ -	\$ -	\$ -	\$ -	0.0%
Professional and Specialized Services	\$ -	\$ -	\$ -	\$ -	0.0%
Bank Services	\$ -	\$ -	\$ -	\$ -	0.0%
Legal Fees and Services	\$ 10,500	\$ -	\$ -	\$ 10,500	0.0%
Disability Fees and Services	\$ -	\$ -	\$ -	\$ -	0.0%
Computer Services and Support	\$ -	\$ -	\$ -	\$ -	0.0%
Educational Expenses	\$ 22,000	\$ -	\$ -	\$ 22,000	0.0%
Miscellaneous	\$ 700	\$ -	\$ -	\$ 700	0.0%
S&S GRAND TOTAL	\$ 44,100	\$ (1,500)	\$ -	\$ 42,600	-3.4%

1 Reflects a reduction in Transportation and Travel due to a reduction in staff travel as a result of COVID travel restrictions.

Disability Litigation Summary of FY 2020-21 Mid-Year Budget Adjustment

Description	FY 2020-2021		Proposed Mid-Year Adjustment	Proposed Amended Budget Amount	% Change
	Approved Budget				
Salaries and Employee Benefits	\$ 2,035,878	\$ -	\$ -	\$ 2,035,878	0.0%
Services and Supplies	\$ 44,100	\$ (1,500)	\$ -	\$ 42,600	-3.4%
	\$ 2,079,978	\$ (1,500)	\$ -	\$ 2,078,478	-0.1%

**Summary of FY 2020-21 Mid-Year Budget Adjustment
Budgeted Positions Walkthrough**

Budgeted Positions	Disability Litigation
Approved	7.0
Addition/(Deletion)	
Final Budgeted Positions Requested	<u>7.0</u>

*All amounts rounded to the nearest dollar.

**Disability Retirement FY 2020-2021 Mid-Year Budget Adjustment
Salaries and Employee Benefits Walkthrough**

Description	FY 2020-2021 Approved Budget	Proposed Mid-Year Adjustment	Proposed Amended Budget Amount	% Change
Gross Salary (1)	\$ 3,832,191	\$ (38,497)	\$ 3,793,694	-1.0%
Salary Differential	-	-	-	0.0%
Permanent Salaries	<u>\$ 3,832,191</u>	<u>\$ (38,497)</u>	<u>\$ 3,793,694</u>	<u>-1.0%</u>
Outside Agency Temporary Staffing (2)	\$ 28,000	\$ 44,100	\$ 72,100	157.5%
LACERA Intern Program	\$ -	\$ -	\$ -	0.0%
Variable Benefits (3)				
Retirement	\$ 826,753	\$ (6,186)	\$ 820,566	-0.7%
FICA Contribution	58,786	(558)	58,228	-0.9%
County Subsidy	311,775	(6,544)	305,230	-2.1%
Options Plan	280,922	-	280,922	0.0%
Life Insurance	1,643	(9)	1,634	-0.5%
Health Insurance Temps	-	-	-	0.0%
Flexible Benefit Plan	-	-	-	0.0%
Thrift Plan/Horizons	111,693	(1,540)	110,153	-1.4%
Savings Plan	92,696	(1,540)	91,156	-1.7%
Pension Savings Plan	-	-	-	0.0%
Megaflex	466,175	(6,544)	459,631	-1.4%
Total	<u>\$ 2,150,442</u>	<u>\$ (22,922)</u>	<u>\$ 2,127,520</u>	<u>-1.1%</u>
Other Benefits	\$ 235,819	\$ -	\$ 235,819	0.0%
OPEB Contribution	\$ 98,351	\$ -	\$ 98,351	0.0%
Stipends	\$ -	\$ -	\$ -	0.0%
Overtime	\$ 9,500	\$ -	\$ 9,500	0.0%
Bilingual Bonus	\$ -	\$ -	\$ -	0.0%
Reserves for Remuneration	\$ -	\$ -	\$ -	0.0%
Sickleave Buyback	\$ 6,000	\$ -	\$ 6,000	0.0%
Rideshare Allowance	\$ 4,500	\$ -	\$ 4,500	0.0%
Transportation Allowance	\$ -	\$ -	\$ -	0.0%
S&EB GRAND TOTAL	<u>\$ 6,364,804</u>	<u>\$ (17,319)</u>	<u>\$ 6,347,485</u>	<u>-0.3%</u>

1 Reflects a deduction in the use of permanent salaries for current vacant position's salary savings due to recruitment delays.

2 Reflects an addition in the use of temporary staff due to recruitment delays. The reliance of temporary staff is critical and essential to DRS current

3 Reflects a deduction in the use of Variable Benefits for current vacant position's VB savings due to recruitment delays.

*All amounts rounded to the nearest dollar.

**Disability Retirement FY 2020-2021 Mid-Year Budget Adjustment
Services and Supplies Walkthrough**

Description	FY 2020-2021 Approved Budget	Proposed Mid-Year Adjustment	Proposed Amended Budget Amount	% Change
Auto Expenses	\$ -	\$ -	\$ -	0.0%
Communications	\$ -	\$ -	\$ -	0.0%
Transportation and Travel (1)	\$ 8,000	\$ (2,000)	\$ 6,000	-25.0%
Postage	\$ -	\$ -	\$ -	0.0%
Stationery and Forms	\$ -	\$ -	\$ -	0.0%
Office Supplies and Equipment	\$ 6,000	\$ -	\$ 6,000	0.0%
Insurance	\$ -	\$ -	\$ -	0.0%
Equipment Maintenance	\$ -	\$ -	\$ -	0.0%
Equipment Rents and Leases	\$ -	\$ -	\$ -	0.0%
Building Costs	\$ -	\$ -	\$ -	0.0%
Parking Fees	\$ -	\$ -	\$ -	0.0%
Professional and Specialized Services	\$ 225,000	\$ -	\$ 225,000	0.0%
Bank Services	\$ -	\$ -	\$ -	0.0%
Legal Fees and Services	\$ 30,000	\$ -	\$ 30,000	0.0%
Disability Fees and Services	\$ 2,086,000	\$ -	\$ 2,086,000	0.0%
Computer Services and Support	\$ -	\$ -	\$ -	0.0%
Educational Expenses	\$ 10,300	\$ -	\$ 10,300	0.0%
Miscellaneous	\$ 500	\$ -	\$ 500	0.0%
S&S GRAND TOTAL	\$ 2,365,800	\$ (2,000)	\$ 2,363,800	-0.1%

1 Reflects a reduction in Transportation and Travel due to a reduction in staff travel as a result of COVID travel restrictions.

Disability Retirement Summary of FY 2020-21 Mid-Year Budget Adjustment

Description	FY 2020-2021 Approved Budget	Proposed Mid-Year Adjustment	Proposed Amended Budget Amount	% Change
Salaries and Employee Benefits	\$ 6,364,804	\$ (17,319)	\$ 6,347,485	-0.3%
Services and Supplies	\$ 2,365,800	\$ (2,000)	\$ 2,363,800	-0.1%
	\$ 8,730,604	\$ (19,319)	\$ 8,711,285	-0.2%

**Summary of FY 2020-21 Mid-Year Budget Adjustment
Budgeted Positions Walkthrough**

	Disability Retirement
<u>Budgeted Positions</u>	
Approved	41.0
Addition/(Deletion)	
Final Budgeted Positions Requested	<u>41.0</u>

*All amounts rounded to the nearest dollar.

**Executive Office FY 2020-2021 Mid-Year Budget Adjustment
Salaries and Employee Benefits Walkthrough**

Description	FY 2020-2021 Approved Budget	Proposed Mid-Year Adjustment	Proposed Amended Budget Amount	% Change
Gross Salary (1)	\$ 1,249,330	\$ (44,866)	\$ 1,204,464	-3.6%
Salary Differential	-	-	-	0.0%
Permanent Salaries	<u>\$ 1,249,330</u>	<u>\$ (44,866)</u>	<u>\$ 1,204,464</u>	<u>-3.6%</u>
Outside Agency Temporary Staffing	\$ -	\$ -	\$ -	0.0%
LACERA Intern Program	\$ -	\$ -	\$ -	0.0%
Variable Benefits (2)				
Retirement	\$ 190,141	\$ (15,575)	\$ 174,566	-8.2%
FICA Contribution	18,990	(651)	18,339	-3.4%
County Subsidy	100,111	(4,487)	95,625	-4.5%
Options Plan	-	-	-	0.0%
Life Insurance	-	-	-	0.0%
Health Insurance Temps	-	-	-	0.0%
Flexible Benefit Plan	-	-	-	0.0%
Thrift Plan/Horizons	27,942	(1,795)	26,147	-6.4%
Savings Plan	27,182	(1,795)	25,388	-6.6%
Pension Savings Plan	-	-	-	0.0%
Megaflex	161,176	(7,627)	153,548	-4.7%
Total	<u>\$ 525,542</u>	<u>\$ (31,928)</u>	<u>\$ 493,613</u>	<u>-6.1%</u>
Other Benefits	\$ 76,879	\$ -	\$ 76,879	0.0%
OPEB Contribution	\$ 32,063	\$ -	\$ 32,063	0.0%
Stipends	\$ 65,000	\$ -	\$ 65,000	0.0%
Overtime	\$ 25,000	\$ -	\$ 25,000	0.0%
Bilingual Bonus	\$ -	\$ -	\$ -	0.0%
Reserves for Remuneration	\$ -	\$ -	\$ -	0.0%
Sickleave Buyback	\$ 1,000	\$ -	\$ 1,000	0.0%
Rideshare Allowance	\$ 1,400	\$ -	\$ 1,400	0.0%
Transportation Allowance	\$ -	\$ -	\$ -	0.0%
S&EB GRAND TOTAL	<u>\$ 1,976,215</u>	<u>\$ (76,794)</u>	<u>\$ 1,899,420</u>	<u>-3.9%</u>

1 Reflects a reduction in the use of Permanent Salaries for current vacant positions.

2 Reflects a reduction in the use of Variable Benefits for current vacant positions.

*All amounts rounded to the nearest dollar.

**Executive Office FY 2020-2021 Mid-Year Budget Adjustment
Services and Supplies Walkthrough**

Description	FY 2020-2021 Approved Budget	Proposed Mid-Year Adjustment	Proposed Amended Budget Amount	% Change
Auto Expenses	\$ 17,800	\$ -	\$ 17,800	0.0%
Communications	\$ -	\$ -	\$ -	0.0%
Transportation and Travel (1)	\$ 24,000	\$ (6,000)	\$ 18,000	-25.0%
Postage	\$ -	\$ -	\$ -	0.0%
Stationery and Forms	\$ -	\$ -	\$ -	0.0%
Office Supplies and Equipment	\$ 4,500	\$ -	\$ 4,500	0.0%
Insurance	\$ -	\$ -	\$ -	0.0%
Equipment Maintenance	\$ -	\$ -	\$ -	0.0%
Equipment Rents and Leases	\$ -	\$ -	\$ -	0.0%
Building Costs	\$ -	\$ -	\$ -	0.0%
Parking Fees	\$ -	\$ -	\$ -	0.0%
Professional and Specialized Services (2)	\$ 120,000	\$ 140,000	\$ 260,000	116.7%
Bank Services	\$ -	\$ -	\$ -	0.0%
Legal Fees and Services	\$ -	\$ -	\$ -	0.0%
Disability Fees and Services	\$ -	\$ -	\$ -	0.0%
Computer Services and Support	\$ -	\$ -	\$ -	0.0%
Educational Expenses	\$ 68,400	\$ -	\$ 68,400	0.0%
Miscellaneous	\$ 60,000	\$ -	\$ 60,000	0.0%
S&S GRAND TOTAL	\$ 294,700	\$ 134,000	\$ 428,700	45.5%

1 Reflects a reduction in Transportation and Travel due to a reduction in staff travel as a result of COVID travel restrictions.

2 Reflects an addition for Professional and Specialized Services for Improvement Projects due to continue engagements with KH (Gayla) on the 100 Day Report and other projects. In addition, increase funds for Public & Media Relations.

Executive Office Summary of FY 2020-21 Mid-Year Budget Adjustment

Description	FY 2020-2021 Approved Budget	Proposed Mid-Year Adjustment	Proposed Amended Budget Amount	% Change
Salaries and Employee Benefits	\$ 1,976,215	\$ (76,794)	\$ 1,899,420	-3.9%
Services and Supplies	\$ 294,700	\$ 134,000	\$ 428,700	45.5%
	\$ 2,270,915	\$ 57,206	\$ 2,328,120	2.5%

**Summary of FY 2020-21 Mid-Year Budget Adjustment
Budgeted Positions Walkthrough**

Budgeted Positions	Executive Office
Approved	8.0
Addition/(Deletion)	
Final Budgeted Positions Requested	8.0

*All amounts rounded to the nearest dollar.

**Financial and Accounting Services FY 2020-2021 Mid-Year Budget Adjustment
Salaries and Employee Benefits Walkthrough**

Description	FY 2020-2021 Approved Budget	Proposed Mid-Year Adjustment	Proposed Amended Budget Amount	% Change
Gross Salary (1)	\$ 2,198,662	(\$283,591)	\$ 1,915,071	-12.9%
Salary Differential	-	-	-	0.0%
Permanent Salaries	\$ 2,198,662	(\$283,591)	\$ 1,915,071	-12.9%
Outside Agency Temporary Staffing (2)	\$ 255,900	\$ 249,500	\$ 505,400	97.5%
LACERA Intern Program	\$ -	\$ -	\$ -	0.0%
Variable Benefits (3)				
Retirement	\$ 481,608	\$ (15,539)	\$ 466,069	-3.2%
FICA Contribution	34,471	(2,473)	31,998	-7.2%
County Subsidy	37,620	(23,879)	13,740	-63.5%
Options Plan	459,764	(64,837)	394,927	-14.1%
Life Insurance	2,085	(53)	2,032	-2.5%
Health Insurance Temps	-	-	-	0.0%
Flexible Benefit Plan	17,470	-	17,470	0.0%
Thrift Plan/Horizons	86,525	(6,823)	79,702	-7.9%
Savings Plan	19,467	-	19,467	0.0%
Pension Savings Plan	-	-	-	0.0%
Megaflex	34,725	-	34,725	0.0%
Total	\$ 1,173,734	\$ (113,604)	\$ 1,060,130	-9.7%
Other Benefits	\$ 135,298	\$ -	\$ 135,298	0.0%
OPEB Contribution	\$ 56,428	\$ -	\$ 56,428	0.0%
Stipends	\$ -	\$ -	\$ -	0.0%
Overtime	\$ 68,400	\$ -	\$ 68,400	0.0%
Bilingual Bonus	\$ -	\$ -	\$ -	0.0%
Reserves for Remuneration	\$ -	\$ -	\$ -	0.0%
Sickleave Buyback	\$ 12,000	\$ -	\$ 12,000	0.0%
Rideshare Allowance	\$ 7,500	\$ -	\$ 7,500	0.0%
Transportation Allowance	\$ -	\$ -	\$ -	0.0%
S&EB GRAND TOTAL	\$ 3,907,922	(\$147,695)	\$ 3,760,227	-3.8%

- 1 Reflects a deduction in the use of permanent salaries for current vacant positions' salary savings due to recruitment delays.
- 2 Reflects an addition in the use of temporary staff due to recruitment delays. The reliance of temporary staff is critical and essential to FASD's current operation in order to mitigate any delays in projects, process payments, etc. during this fiscal year.
- 3 Reflects a deduction in the use of Variable Benefits for vacant positions' VB savings due to recruitment delays.

*All amounts rounded to the nearest dollar.

**Financial and Accounting Services FY 2020-2021 Mid-Year Budget Adjustment
Services and Supplies Walkthrough**

Description	FY 2020-2021 Approved Budget	Proposed Mid-Year Adjustment	Proposed Amended Budget Amount	% Change
Auto Expenses	\$ -	\$ -	\$ -	0.0%
Communications	\$ -	\$ -	\$ -	0.0%
Transportation and Travel (1)	\$ 18,500	\$ (6,000)	\$ 12,500	-32.4%
Postage	\$ -	\$ -	\$ -	0.0%
Stationery and Forms	\$ -	\$ -	\$ -	0.0%
Office Supplies and Equipment	\$ 3,500	\$ -	\$ 3,500	0.0%
Insurance	\$ -	\$ -	\$ -	0.0%
Equipment Maintenance	\$ -	\$ -	\$ -	0.0%
Equipment Rents and Leases	\$ -	\$ -	\$ -	0.0%
Building Costs	\$ -	\$ -	\$ -	0.0%
Parking Fees	\$ -	\$ -	\$ -	0.0%
Professional and Specialized Services	\$ -	\$ -	\$ -	0.0%
Bank Services (2)	\$ 204,000	\$ (9,000)	\$ 195,000	-4.4%
Legal Fees and Services	\$ -	\$ -	\$ -	0.0%
Disability Fees and Services	\$ -	\$ -	\$ -	0.0%
Computer Services and Support	\$ -	\$ -	\$ -	0.0%
Educational Expenses	\$ 28,100	\$ -	\$ 28,100	0.0%
Miscellaneous	\$ 3,000	\$ -	\$ 3,000	0.0%
S&S GRAND TOTAL	\$ 257,100	\$ (15,000)	\$ 242,100	-5.8%

- 1 Reflects a reduction in Transportation and Travel due to a reduction in staff travel as a result of COVID travel restrictions.
- 2 Reflects a reduction for Bank Services for Bank Charges (State Street) since RHC bank services amounts are now charged to RHC.

Financial and Accounting Services Summary of FY 2020-21 Mid-Year Budget Adjustment

Description	FY 2020-2021 Approved Budget	Proposed Mid-Year Adjustment	Proposed Amended Budget Amount	% Change
Salaries and Employee Benefits	\$ 3,907,922	\$ (147,695)	\$ 3,760,227	-3.8%
Services and Supplies	\$ 257,100	\$ (15,000)	\$ 242,100	-5.8%
	\$ 4,165,022	\$ (162,695)	\$ 4,002,327	-3.9%

**Summary of FY 2020-21 Mid-Year Budget Adjustment
Budgeted Positions Walkthrough**

Budgeted Positions	Financial & Accounting Svcs.
Approved	30.0
Addition/(Deletion)	
Final Budgeted Positions Requested	<u>30.0</u>

*All amounts rounded to the nearest dollar.

**Human Resources FY 2020-2021 Mid-Year Budget Adjustment
Salaries and Employee Benefits Walkthrough**

Description	FY 2020-2021 Approved Budget	Proposed Mid-Year Adjustment	Proposed Amended Budget Amount	% Change
Gross Salary	\$ 1,387,072	\$ -	\$ 1,387,072	0.0%
Salary Differential	-	-	-	0.0%
Permanent Salaries	\$ 1,387,072	\$ -	\$ 1,387,072	0.0%
Outside Agency Temporary Staffing	\$ 47,700	\$ -	\$ 47,700	0.0%
LACERA Intern Program (1)	\$ -	\$ 72,000	\$ 72,000	0.0%
Variable Benefits				
Retirement	\$ 311,196	\$ -	\$ 311,196	0.0%
FICA Contribution	22,345	-	22,345	0.0%
County Subsidy	91,957	-	91,957	0.0%
Options Plan	-	-	-	0.0%
Life Insurance	204	-	204	0.0%
Health Insurance Temps	-	-	-	0.0%
Flexible Benefit Plan	-	-	-	0.0%
Thrift Plan/Horizons	50,308	-	50,308	0.0%
Savings Plan	70,142	-	70,142	0.0%
Pension Savings Plan	-	-	-	0.0%
Megaflex	211,582	-	211,582	0.0%
Total	\$ 757,732	\$ -	\$ 757,732	0.0%
Other Benefits	\$ 85,356	\$ -	\$ 85,356	0.0%
OPEB Contribution	\$ 35,598	\$ -	\$ 35,598	0.0%
Stipends	\$ -	\$ -	\$ -	0.0%
Overtime	\$ 1,500	\$ -	\$ 1,500	0.0%
Bilingual Bonus	\$ -	\$ -	\$ -	0.0%
Reserves for Remuneration	\$ -	\$ -	\$ -	0.0%
Sickleave Buyback	\$ -	\$ -	\$ -	0.0%
Rideshare Allowance	\$ 1,700	\$ -	\$ 1,700	0.0%
Transportation Allowance	\$ -	\$ -	\$ -	0.0%
S&EB GRAND TOTAL	\$ 2,316,658	\$ 72,000	\$ 2,388,658	3.1%

1 Reflects an addition in the use of LACERA Intern Program.

*All amounts rounded to the nearest dollar.

**Human Resources FY 2020-2021 Mid-Year Budget Adjustment
Services and Supplies Walkthrough**

Description	FY 2020-2021		Proposed Mid-Year Adjustment	Proposed Amended Budget Amount	% Change
	Approved Budget				
Auto Expenses	\$ -	\$ -	\$ -	\$ -	0.0%
Communications	\$ -	\$ -	\$ -	\$ -	0.0%
Transportation and Travel (1)	\$ 12,000	\$ (3,000)	\$ 9,000	\$ 9,000	-25.0%
Postage	\$ -	\$ -	\$ -	\$ -	0.0%
Stationery and Forms	\$ -	\$ -	\$ -	\$ -	0.0%
Office Supplies and Equipment	\$ 8,000	\$ -	\$ 8,000	\$ 8,000	0.0%
Insurance	\$ -	\$ -	\$ -	\$ -	0.0%
Equipment Maintenance	\$ -	\$ -	\$ -	\$ -	0.0%
Equipment Rents and Leases	\$ -	\$ -	\$ -	\$ -	0.0%
Building Costs	\$ -	\$ -	\$ -	\$ -	0.0%
Parking Fees	\$ 377,000	\$ -	\$ 377,000	\$ 377,000	0.0%
Professional and Specialized Services	\$ 383,300	\$ -	\$ 383,300	\$ 383,300	0.0%
Bank Services	\$ -	\$ -	\$ -	\$ -	0.0%
Legal Fees and Services	\$ -	\$ -	\$ -	\$ -	0.0%
Disability Fees and Services	\$ -	\$ -	\$ -	\$ -	0.0%
Computer Services and Support	\$ 42,000	\$ -	\$ 42,000	\$ 42,000	0.0%
Educational Expenses	\$ 500,300	\$ -	\$ 500,300	\$ 500,300	0.0%
Miscellaneous (2)	\$ 232,500	\$ 255,000	\$ 487,500	\$ 487,500	109.7%
S&S GRAND TOTAL	\$ 1,555,100	\$ 252,000	\$ 1,807,100	\$ 1,807,100	16.2%

- 1 Reflects a reduction in Transportation and Travel due to a reduction in staff travel as a result of COVID travel restrictions.
2 Reflects an addition in the use of Miscellaneous Expense for Recruitment purposes for high level executive searches from recruitment firms.

Human Resources Summary of FY 2020-21 Mid-Year Budget Adjustment

Description	FY 2020-2021		Proposed Mid-Year Adjustment	Proposed Amended Budget Amount	% Change
	Approved Budget				
Salaries and Employee Benefits	\$ 2,316,658	\$ 72,000	\$ 2,388,658	\$ 2,388,658	3.1%
Services and Supplies	\$ 1,555,100	\$ 252,000	\$ 1,807,100	\$ 1,807,100	16.2%
	\$ 3,871,758	\$ 324,000	\$ 4,195,758	\$ 4,195,758	8.4%

**Summary of FY 2020-21 Mid-Year Budget Adjustment
Budgeted Positions Walkthrough**

Budgeted Positions	Human Resources
Approved	13.0
Addition/(Deletion)	
Final Budgeted Positions Requested	<u>13.0</u>

*All amounts rounded to the nearest dollar.

**Internal Audit Services FY 2020-2021 Mid-Year Budget Adjustment
Salaries and Employee Benefits Walkthrough**

Description	FY 2020-2021 Approved Budget	Proposed Mid-Year Adjustment	Proposed Amended Budget Amount	% Change
Gross Salary	\$ 1,336,307	\$ -	\$ 1,336,307	0.0%
Salary Differential	-	-	-	0.0%
Permanent Salaries	<u>\$ 1,336,307</u>	<u>\$ -</u>	<u>\$ 1,336,307</u>	<u>0.0%</u>
Outside Agency Temporary Staffing	\$ -	\$ -	\$ -	0.0%
LACERA Intern Program	\$ -	\$ -	\$ -	0.0%
Variable Benefits				
Retirement	\$ 272,877	\$ -	\$ 272,877	0.0%
FICA Contribution	20,956	-	20,956	0.0%
County Subsidy	85,990	-	85,990	0.0%
Options Plan	-	-	-	0.0%
Life Insurance	-	-	-	0.0%
Health Insurance Temps	-	-	-	0.0%
Flexible Benefit Plan	-	-	-	0.0%
Thrift Plan/Horizons	48,029	-	48,029	0.0%
Savings Plan	50,084	-	50,084	0.0%
Pension Savings Plan	-	-	-	0.0%
Megaflex	183,116	-	183,116	0.0%
Total	<u>\$ 661,052</u>	<u>\$ -</u>	<u>\$ 661,052</u>	<u>0.0%</u>
Other Benefits	\$ 82,232	\$ -	\$ 82,232	0.0%
OPEB Contribution	\$ 34,296	\$ -	\$ 34,296	0.0%
Stipends	\$ -	\$ -	\$ -	0.0%
Overtime	\$ 4,800	\$ -	\$ 4,800	0.0%
Bilingual Bonus	\$ -	\$ -	\$ -	0.0%
Reserves for Remuneration	\$ -	\$ -	\$ -	0.0%
Sickleave Buyback	\$ 1,500	\$ -	\$ 1,500	0.0%
Rideshare Allowance	\$ 1,500	\$ -	\$ 1,500	0.0%
Transportation Allowance	\$ -	\$ -	\$ -	0.0%
S&EB GRAND TOTAL	<u>\$ 2,121,686</u>	<u>\$ -</u>	<u>\$ 2,121,686</u>	<u>0.0%</u>

*All amounts rounded to the nearest dollar.

**Internal Audit Services FY 2020-2021 Mid-Year Budget Adjustment
Services and Supplies Walkthrough**

Description	FY 2020-2021 Approved Budget	Proposed Mid-Year Adjustment	Proposed Amended Budget Amount	% Change
Auto Expenses	\$ -	\$ -	\$ -	0.0%
Communications	\$ -	\$ -	\$ -	0.0%
Transportation and Travel (1)	\$ 11,500	\$ (2,900)	\$ 8,600	-25.2%
Postage	\$ -	\$ -	\$ -	0.0%
Stationery and Forms	\$ -	\$ -	\$ -	0.0%
Office Supplies and Equipment	\$ 1,700	\$ -	\$ 1,700	0.0%
Insurance	\$ -	\$ -	\$ -	0.0%
Equipment Maintenance	\$ -	\$ -	\$ -	0.0%
Equipment Rents and Leases	\$ -	\$ -	\$ -	0.0%
Building Costs	\$ -	\$ -	\$ -	0.0%
Parking Fees	\$ -	\$ -	\$ -	0.0%
Professional and Specialized Services	\$ 421,000	\$ -	\$ 421,000	0.0%
Bank Services	\$ -	\$ -	\$ -	0.0%
Legal Fees and Services	\$ -	\$ -	\$ -	0.0%
Disability Fees and Services	\$ -	\$ -	\$ -	0.0%
Computer Services and Support	\$ -	\$ -	\$ -	0.0%
Educational Expenses	\$ 25,800	\$ -	\$ 25,800	0.0%
Miscellaneous	\$ 800	\$ -	\$ 800	0.0%
S&S GRAND TOTAL	\$ 460,800	\$ (2,900)	\$ 457,900	-0.6%

1 Reflects a reduction in Transportation and Travel due to a reduction in staff travel as a result of COVID travel restrictions.

Internal Audit Services Summary of FY 2020-21 Mid-Year Budget Adjustment

Description	FY 2020-2021 Approved Budget	Proposed Mid-Year Adjustment	Proposed Amended Budget Amount	% Change
Salaries and Employee Benefits	\$ 2,121,686	\$ -	\$ 2,121,686	0.0%
Services and Supplies	\$ 460,800	\$ (2,900)	\$ 457,900	-0.6%
	\$ 2,582,486	\$ (2,900)	\$ 2,579,586	-0.1%

**Summary of FY 2020-21 Mid-Year Budget Adjustment
Budgeted Positions Walkthrough**

Budgeted Positions	Internal Audit
Approved	11.0
Addition/(Deletion)	
Final Budgeted Positions Requested	11.0

*All amounts rounded to the nearest dollar.

**Investment Office FY 2020-2021 Mid-Year Budget Adjustment
Salaries and Employee Benefits Walkthrough**

Description	FY 2020-2021 Approved Budget	Proposed Mid-Year Adjustment	Proposed Amended Budget Amount	% Change
Gross Salary	\$ 9,344,757	\$ -	\$ 9,344,757	0.0%
Salary Differential	-	-	-	0.0%
Permanent Salaries	<u>\$ 9,344,757</u>	<u>\$ -</u>	<u>\$ 9,344,757</u>	<u>0.0%</u>
Outside Agency Temporary Staffing	\$ -	\$ -	\$ -	0.0%
LACERA Intern Program	\$ -	\$ -	\$ -	0.0%
Variable Benefits				
Retirement	\$ 1,309,842	\$ -	\$ 1,309,842	0.0%
FICA Contribution	158,864	-	158,864	0.0%
County Subsidy	561,348	-	561,348	0.0%
Options Plan	-	-	-	0.0%
Life Insurance	-	-	-	0.0%
Health Insurance Temps	-	-	-	0.0%
Flexible Benefit Plan	-	-	-	0.0%
Thrift Plan/Horizons	265,009	-	265,009	0.0%
Savings Plan	326,323	-	326,323	0.0%
Pension Savings Plan	-	-	-	0.0%
Megaflex	1,308,748	-	1,308,748	0.0%
Total	<u>\$ 3,930,135</u>	<u>\$ -</u>	<u>\$ 3,930,135</u>	<u>0.0%</u>
Other Benefits	\$ 575,043	\$ -	\$ 575,043	0.0%
OPEB Contribution	\$ 239,828	\$ -	\$ 239,828	0.0%
Stipends	\$ -	\$ -	\$ -	0.0%
Overtime	\$ 1,000	\$ -	\$ 1,000	0.0%
Bilingual Bonus	\$ -	\$ -	\$ -	0.0%
Reserves for Remuneration	\$ -	\$ -	\$ -	0.0%
Sickleave Buyback	\$ 1,200	\$ -	\$ 1,200	0.0%
Rideshare Allowance	\$ 5,000	\$ -	\$ 5,000	0.0%
Transportation Allowance (1)	\$ -	\$ 7,200	\$ 7,200	0.0%
S&EB GRAND TOTAL	<u>\$ 14,096,963</u>	<u>\$ 7,200</u>	<u>\$ 14,104,163</u>	<u>0.1%</u>

1 Reflects an addition in the use of Transportation Allowance for a Chief Officer.

*All amounts rounded to the nearest dollar.

**Investment Office FY 2020-2021 Mid-Year Budget Adjustment
Services and Supplies Walkthrough**

Description	FY 2020-2021 Approved Budget	Proposed Mid-Year Adjustment	Proposed Amended Budget Amount	% Change
Auto Expenses	\$ -	\$ -	\$ -	0.0%
Communications	\$ -	\$ -	\$ -	0.0%
Transportation and Travel (1)	\$ 220,000	\$ (100,000)	\$ 120,000	-45.5%
Postage	\$ -	\$ -	\$ -	0.0%
Stationery and Forms	\$ -	\$ -	\$ -	0.0%
Office Supplies and Equipment	\$ 5,000	\$ -	\$ 5,000	0.0%
Insurance	\$ -	\$ -	\$ -	0.0%
Equipment Maintenance	\$ -	\$ -	\$ -	0.0%
Equipment Rents and Leases	\$ -	\$ -	\$ -	0.0%
Building Costs	\$ -	\$ -	\$ -	0.0%
Parking Fees	\$ -	\$ -	\$ -	0.0%
Professional and Specialized Services	\$ -	\$ -	\$ -	0.0%
Bank Services	\$ -	\$ -	\$ -	0.0%
Legal Fees and Services	\$ -	\$ -	\$ -	0.0%
Disability Fees and Services	\$ -	\$ -	\$ -	0.0%
Computer Services and Support	\$ -	\$ -	\$ -	0.0%
Educational Expenses	\$ 104,800	\$ -	\$ 104,800	0.0%
Miscellaneous	\$ 7,500	\$ -	\$ 7,500	0.0%
S&S GRAND TOTAL	\$ 337,300	\$ (100,000)	\$ 237,300	-29.6%

1 Reflects a reduction in Transportation and Travel due to a reduction in staff travel as a result of COVID travel restrictions.

Investment Office Summary of FY 2020-21 Mid-Year Budget Adjustment

Description	FY 2020-2021 Approved Budget	Proposed Mid-Year Adjustment	Proposed Amended Budget Amount	% Change
Salaries and Employee Benefits	\$ 14,096,963	\$ 7,200	\$ 14,104,163	0.1%
Services and Supplies	\$ 337,300	\$ (100,000)	\$ 237,300	-29.6%
	\$ 14,434,263	\$ (92,800)	\$ 14,341,463	-0.6%

**Summary of FY 2020-21 Mid-Year Budget Adjustment
Budgeted Positions Walkthrough**

Budgeted Positions	Investment Office
Approved	44.0
Addition/(Deletion)	
Final Budgeted Positions Requested	44.0

*All amounts rounded to the nearest dollar.

**Legal Services FY 2020-2021 Mid-Year Budget Adjustment
Salaries and Employee Benefits Walkthrough**

Description	FY 2020-2021 Approved Budget	Proposed Mid-Year Adjustment	Proposed Amended Budget Amount	% Change
Gross Salary (1)	\$ 3,527,207	\$ (107,442)	\$ 3,419,765	-3.0%
Salary Differential	-	-	-	0.0%
Permanent Salaries	<u>\$ 3,527,207</u>	<u>\$ (107,442)</u>	<u>\$ 3,419,765</u>	<u>-3.0%</u>
Outside Agency Temporary Staffing	\$ 53,500	\$ -	\$ 53,500	0.0%
LACERA Intern Program	\$ -	\$ -	\$ -	0.0%
Variable Benefits (2)				
Retirement	\$ 640,786	\$ (21,996)	\$ 618,791	-3.4%
FICA Contribution	\$ 56,338	\$ (1,558)	\$ 54,780	-2.8%
County Subsidy	\$ 390,756	\$ (18,265)	\$ 372,491	-4.7%
Options Plan	\$ -	\$ -	\$ -	0.0%
Life Insurance	\$ 69	\$ (35)	\$ 34	-50.7%
Health Insurance Temps	\$ -	\$ -	\$ -	0.0%
Flexible Benefit Plan	\$ -	\$ -	\$ -	0.0%
Thrift Plan/Horizons	\$ 102,830	\$ (4,298)	\$ 98,532	-4.2%
Savings Plan	\$ 122,639	\$ (4,298)	\$ 118,341	-3.5%
Pension Savings Plan	\$ -	\$ -	\$ -	0.0%
Megaflex	\$ 549,161	\$ (18,265)	\$ 530,896	-3.3%
Total	<u>\$ 1,862,579</u>	<u>\$ (68,714)</u>	<u>\$ 1,793,865</u>	<u>-3.7%</u>
Other Benefits	\$ 217,052	\$ -	\$ 217,052	0.0%
OPEB Contribution	\$ 90,524	\$ -	\$ 90,524	0.0%
Stipends	\$ -	\$ -	\$ -	0.0%
Overtime	\$ 12,500	\$ -	\$ 12,500	0.0%
Bilingual Bonus	\$ 2,400	\$ -	\$ 2,400	0.0%
Reserves for Remuneration	\$ -	\$ -	\$ -	0.0%
Sickleave Buyback	\$ -	\$ -	\$ -	0.0%
Rideshare Allowance	\$ 2,500	\$ -	\$ 2,500	0.0%
Transportation Allowance	\$ -	\$ -	\$ -	0.0%
S&EB GRAND TOTAL	<u>\$ 5,768,262</u>	<u>\$ (176,156)</u>	<u>\$ 5,592,106</u>	<u>-3.1%</u>

1 Reflects a reduction in the use of permanent salaries for current vacant positions' salary savings due to recruitment delays.

2 Reflects a reduction in the use of Variable Benefits for current vacant positions' VB savings due to recruitment delays.

*All amounts rounded to the nearest dollar.

**Legal Services FY 2020-2021 Mid-Year Budget Adjustment
Services and Supplies Walkthrough**

Description	FY 2020-2021 Approved Budget	Proposed Mid-Year Adjustment	Proposed Amended Budget Amount	% Change
Auto Expenses	\$ 3,400	\$ -	\$ 3,400	0.0%
Communications	\$ -	\$ -	\$ -	0.0%
Transportation and Travel (1)	\$ 23,000	\$ (13,000)	\$ 10,000	-56.5%
Postage	\$ -	\$ -	\$ -	0.0%
Stationery and Forms	\$ -	\$ -	\$ -	0.0%
Office Supplies and Equipment	\$ 6,000	\$ -	\$ 6,000	0.0%
Insurance	\$ -	\$ -	\$ -	0.0%
Equipment Maintenance	\$ -	\$ -	\$ -	0.0%
Equipment Rents and Leases	\$ -	\$ -	\$ -	0.0%
Building Costs	\$ -	\$ -	\$ -	0.0%
Parking Fees	\$ -	\$ -	\$ -	0.0%
Professional and Specialized Services (2)	\$ 252,300	\$ 21,400	\$ 273,700	8.5%
Bank Services	\$ -	\$ -	\$ -	0.0%
Legal Fees and Services	\$ 395,000	\$ -	\$ 395,000	0.0%
Disability Fees and Services	\$ -	\$ -	\$ -	0.0%
Computer Services and Support	\$ -	\$ -	\$ -	0.0%
Educational Expenses (3)	\$ 99,500	\$ (9,500)	\$ 90,000	-9.5%
Miscellaneous	\$ 2,000	\$ -	\$ 2,000	0.0%
S&S GRAND TOTAL	\$ 781,200	\$ (1,100)	\$ 780,100	-0.1%

- 1 Reflects a reduction in Transportation and Travel due to a reduction in staff travel as a result of COVID travel restrictions.
- 2 Reflects an addition for Professional and Specialized Services for Audits due to current Mosaic audits tasked by the Boards.
- 3 Reflects a reduction in Educational Expenses due to a reduction in Registration Fees for conferences/trainings as a result of COVID.

Legal Services Summary of FY 2020-21 Mid-Year Budget Adjustment

Description	FY 2020-2021 Approved Budget	Proposed Mid-Year Adjustment	Proposed Amended Budget Amount	% Change
Salaries and Employee Benefits	\$ 5,768,262	\$ (176,156)	\$ 5,592,106	-3.1%
Services and Supplies	\$ 781,200	\$ (1,100)	\$ 780,100	-0.1%
	\$ 6,549,462	\$ (177,256)	\$ 6,372,206	-2.7%

**Summary of FY 2020-21 Mid-Year Budget Adjustment
Budgeted Positions Walkthrough**

Budgeted Positions	Legal Services
Approved	26.0
Addition/(Deletion)	
Final Budgeted Positions Requested	26.0

*All amounts rounded to the nearest dollar.

**Member Services FY 2020-2021 Mid-Year Budget Adjustment
Salaries and Employee Benefits Walkthrough**

Description	FY 2020-2021 Approved Budget	Proposed Mid-Year Adjustment	Proposed Amended Budget Amount	% Change
Gross Salary	\$ 6,006,252	\$ -	\$ 6,006,252	0.0%
Salary Differential	-	-	-	0.0%
Permanent Salaries	<u>\$ 6,006,252</u>	<u>\$ -</u>	<u>\$ 6,006,252</u>	<u>0.0%</u>
Outside Agency Temporary Staffing	\$ -	\$ -	\$ -	0.0%
LACERA Intern Program	\$ -	\$ -	\$ -	0.0%
Variable Benefits				
Retirement	\$ 1,028,836	\$ -	\$ 1,028,836	0.0%
FICA Contribution	91,795	-	91,795	0.0%
County Subsidy	111,231	-	111,231	0.0%
Options Plan	1,124,907	-	1,124,907	0.0%
Life Insurance	4,760	-	4,760	0.0%
Health Insurance Temps	270,984	-	270,984	0.0%
Flexible Benefit Plan	-	-	-	0.0%
Thrift Plan/Horizons	173,067	-	173,067	0.0%
Savings Plan	29,491	-	29,491	0.0%
Pension Savings Plan	34,922	-	34,922	0.0%
Megaflex	124,111	-	124,111	0.0%
Total	<u>\$ 2,994,104</u>	<u>\$ -</u>	<u>\$ 2,994,104</u>	<u>0.0%</u>
Other Benefits	\$ 369,603	\$ -	\$ 369,603	0.0%
OPEB Contribution	\$ 154,147	\$ -	\$ 154,147	0.0%
Stipends	\$ -	\$ -	\$ -	0.0%
Overtime	\$ 130,500	\$ -	\$ 130,500	0.0%
Bilingual Bonus	\$ 16,800	\$ -	\$ 16,800	0.0%
Reserves for Remuneration	\$ -	\$ -	\$ -	0.0%
Sickleave Buyback	\$ 10,000	\$ -	\$ 10,000	0.0%
Rideshare Allowance	\$ 10,000	\$ -	\$ 10,000	0.0%
Transportation Allowance	\$ -	\$ -	\$ -	0.0%
S&EB GRAND TOTAL	<u>\$ 9,691,407</u>	<u>\$ -</u>	<u>\$ 9,691,407</u>	<u>0.0%</u>

*All amounts rounded to the nearest dollar.

**Member Services FY 2020-2021 Mid-Year Budget Adjustment
Services and Supplies Walkthrough**

Description	FY 2020-2021 Approved Budget	Proposed Mid-Year Adjustment	Proposed Amended Budget Amount	% Change
Auto Expenses	\$ -	\$ -	\$ -	0.0%
Communications	\$ -	\$ -	\$ -	0.0%
Transportation and Travel (1)	\$ 22,000	\$ (17,000)	\$ 5,000	-77.3%
Postage	\$ -	\$ -	\$ -	0.0%
Stationery and Forms	\$ -	\$ -	\$ -	0.0%
Office Supplies and Equipment	\$ 15,000	\$ -	\$ 15,000	0.0%
Insurance	\$ -	\$ -	\$ -	0.0%
Equipment Maintenance	\$ -	\$ -	\$ -	0.0%
Equipment Rents and Leases	\$ -	\$ -	\$ -	0.0%
Building Costs	\$ -	\$ -	\$ -	0.0%
Parking Fees	\$ -	\$ -	\$ -	0.0%
Professional and Specialized Services	\$ -	\$ -	\$ -	0.0%
Bank Services	\$ -	\$ -	\$ -	0.0%
Legal Fees and Services	\$ -	\$ -	\$ -	0.0%
Disability Fees and Services	\$ -	\$ -	\$ -	0.0%
Computer Services and Support	\$ -	\$ -	\$ -	0.0%
Educational Expenses	\$ 21,500	\$ -	\$ 21,500	0.0%
Miscellaneous (2)	\$ 11,300	\$ (1,800)	\$ 9,500	-15.9%
S&S GRAND TOTAL	\$ 69,800	\$ (18,800)	\$ 51,000	-26.9%

- 1 Reflects a reduction in Transportation and Travel due to a reduction in staff travel as a result of COVID travel restrictions.
- 2 Reflects a reduction in Miscellaneous Expenses due to elimination of ECT Healthy Snacks budget.

Member Services Summary of FY 2020-21 Mid-Year Budget Adjustment

Description	FY 2020-2021 Approved Budget	Proposed Mid-Year Adjustment	Proposed Amended Budget Amount	% Change
Salaries and Employee Benefits	\$ 9,691,407	\$ -	\$ 9,691,407	0.0%
Services and Supplies	\$ 69,800	\$ (18,800)	\$ 51,000	-26.9%
	\$ 9,761,207	\$ (18,800)	\$ 9,742,407	-0.2%

**Summary of FY 2020-21 Mid-Year Budget Adjustment
Budgeted Positions Walkthrough**

Budgeted Positions	Member Services
Approved	79.0
Addition/(Deletion)	
Final Budgeted Positions Requested	79.0

*All amounts rounded to the nearest dollar.

**Quality Assurance FY 2020-2021 Mid-Year Budget Adjustment
Salaries and Employee Benefits Walkthrough**

Description	FY 2020-2021 Approved Budget	Proposed Mid-Year Adjustment	Proposed Amended Budget Amount	% Change
Gross Salary	\$ 1,993,537	\$ (63,442)	\$ 1,930,095	-3.2%
Salary Differential	-	-	-	0.0%
Permanent Salaries	\$ 1,993,537	\$ (63,442)	\$ 1,930,095	-3.2%
Outside Agency Temporary Staffing	\$ -	\$ -	\$ -	0.0%
LACERA Intern Program	\$ -	\$ -	\$ -	0.0%
Variable Benefits				
Retirement	\$ 446,214	\$ (16,011)	\$ 430,202	-3.6%
FICA Contribution	32,705	(920)	31,785	-2.8%
County Subsidy	146,727	(7,613)	139,114	-5.2%
Options Plan	21,991	(7,204)	14,787	-32.8%
Life Insurance	36	(13)	22	-37.3%
Health Insurance Temps	-	-	-	0.0%
Flexible Benefit Plan	-	-	-	0.0%
Thrift Plan/Horizons	61,033	(2,538)	58,495	-4.2%
Savings Plan	68,974	(1,737)	67,236	-2.5%
Pension Savings Plan	-	-	-	0.0%
Megaflex	343,202	(7,384)	335,818	-2.2%
Total	\$ 1,120,880	\$ (43,421)	\$ 1,077,459	-3.9%
Other Benefits	\$ 122,675	\$ -	\$ 122,675	0.0%
OPEB Contribution	\$ 51,163	\$ -	\$ 51,163	0.0%
Stipends	\$ -	\$ -	\$ -	0.0%
Overtime	\$ -	\$ -	\$ -	0.0%
Bilingual Bonus	\$ -	\$ -	\$ -	0.0%
Reserves for Remuneration	\$ -	\$ -	\$ -	0.0%
Sickleave Buyback	\$ -	\$ -	\$ -	0.0%
Rideshare Allowance	\$ 2,200	\$ -	\$ 2,200	0.0%
Transportation Allowance	\$ -	\$ -	\$ -	0.0%
S&EB GRAND TOTAL	\$ 3,290,455	\$ (106,863)	\$ 3,183,593	-3.2%

1 Reflects a reduction in the use of Permanent Salaries for current vacant positions.

2 Reflects a reduction in the use of Variable Benefits for current vacant positions.

*All amounts rounded to the nearest dollar.

**Quality Assurance FY 2020-2021 Mid-Year Budget Adjustment
Services and Supplies Walkthrough**

Description	FY 2020-2021 Approved Budget	Proposed Mid-Year Adjustment	Proposed Amended Budget Amount	% Change
Auto Expenses	\$ -	\$ -	\$ -	0.0%
Communications	\$ -	\$ -	\$ -	0.0%
Transportation and Travel	\$ 12,000	\$ (3,000)	\$ 9,000	-25.0%
Postage	\$ -	\$ -	\$ -	0.0%
Stationery and Forms	\$ -	\$ -	\$ -	0.0%
Office Supplies and Equipment	\$ 3,000	\$ -	\$ 3,000	0.0%
Insurance	\$ -	\$ -	\$ -	0.0%
Equipment Maintenance	\$ -	\$ -	\$ -	0.0%
Equipment Rents and Leases	\$ -	\$ -	\$ -	0.0%
Building Costs	\$ -	\$ -	\$ -	0.0%
Parking Fees	\$ -	\$ -	\$ -	0.0%
Professional and Specialized Services	\$ 50,000	\$ -	\$ 50,000	0.0%
Bank Services	\$ -	\$ -	\$ -	0.0%
Legal Fees and Services	\$ -	\$ -	\$ -	0.0%
Disability Fees and Services	\$ -	\$ -	\$ -	0.0%
Computer Services and Support	\$ -	\$ -	\$ -	0.0%
Educational Expenses	\$ 28,800	\$ -	\$ 28,800	0.0%
Miscellaneous	\$ 700	\$ -	\$ 700	0.0%
S&S GRAND TOTAL	\$ 94,500	\$ (3,000)	\$ 91,500	-3.2%

1 Reflects a reduction in Transportation and Travel due to a reduction in staff travel as a result of COVID travel restrictions.

Quality Assurance Summary of FY 2020-21 Mid-Year Budget Adjustment

Description	FY 2020-2021 Approved Budget	Proposed Mid-Year Adjustment	Proposed Amended Budget Amount	% Change
Salaries and Employee Benefits	\$ 3,290,455	\$ (106,863)	\$ 3,183,593	-3.2%
Services and Supplies	\$ 94,500	\$ (3,000)	\$ 91,500	-3.2%
	\$ 3,384,955	\$ (109,863)	\$ 3,275,093	-3.2%

**Summary of FY 2020-21 Mid-Year Budget Adjustment
Budgeted Positions Walkthrough**

Budgeted Positions	Quality Assurance
Approved	19.0
Addition/(Deletion)	
Final Budgeted Positions Requested	19.0

*All amounts rounded to the nearest dollar.

**Systems Division FY 2020-2021 Mid-Year Budget Adjustment
Salaries and Employee Benefits Walkthrough**

Description	FY 2020-2021 Approved Budget	Proposed Mid-Year Adjustment	Proposed Amended Budget Amount	% Change
Gross Salary (1)	\$ 6,454,226	\$ (713,738)	\$ 5,740,488	-11.1%
Salary Differential	-	-	-	0.0%
Permanent Salaries	\$ 6,454,226	\$ (713,738)	\$ 5,740,488	-11.1%
Outside Agency Temporary Staffing (2)	\$ 1,200,000	\$ 1,450,000	\$ 2,650,000	120.8%
LACERA Intern Program	\$ -	\$ -	\$ -	0.0%
Variable Benefits				
Retirement	\$ 1,279,765	\$ (142,804)	\$ 1,136,961	-11.2%
FICA Contribution	110,053	(8,279)	101,774	-7.5%
County Subsidy	408,285	(57,100)	351,186	-14.0%
Options Plan	321,941	-	321,941	0.0%
Life Insurance	1,274	(201)	1,073	-15.8%
Health Insurance Temps	-	-	-	0.0%
Flexible Benefit Plan	-	-	-	0.0%
Thrift Plan/Horizons	228,686	(22,840)	205,847	-10.0%
Savings Plan	206,441	(22,840)	183,602	-11.1%
Pension Savings Plan	-	-	-	0.0%
Megaflex	800,212	(97,069)	703,143	-12.1%
Total	\$ 3,356,659	\$ (351,133)	\$ 3,005,525	-10.5%
Other Benefits	\$ 397,170	\$ -	\$ 397,170	0.0%
OPEB Contribution	\$ 165,644	\$ -	\$ 165,644	0.0%
Stipends	\$ -	\$ -	\$ -	0.0%
Overtime	\$ 130,100	\$ -	\$ 130,100	0.0%
Bilingual Bonus	\$ -	\$ -	\$ -	0.0%
Reserves for Remuneration	\$ -	\$ -	\$ -	0.0%
Sickleave Buyback	\$ 12,000	\$ -	\$ 12,000	0.0%
Rideshare Allowance	\$ 8,900	\$ -	\$ 8,900	0.0%
Transportation Allowance	\$ -	\$ -	\$ -	0.0%
S&EB GRAND TOTAL	\$ 11,724,699	\$ 385,129	\$ 12,109,828	3.3%

- 1 Reflects a deduction in the use of permanent salaries for current vacant positions' salary savings due to recruitment delays.
- 2 Reflects an addition in the use of temporary staff due to recruitment delays. The reliance of temporary staff is critical and essential to Systems' current operation in order to mitigate any delays in projects, remote work access for LACERA staff, etc. during this fiscal year.
- 3 Reflects a deduction in the use of Variable Benefits for current vacant positions' VB savings due to recruitment delays.

*All amounts rounded to the nearest dollar.

**Systems Division FY 2020-2021 Mid-Year Budget Adjustment
Services and Supplies Walkthrough**

Description	FY 2020-2021 Approved Budget	Proposed Mid-Year Adjustment	Proposed Amended Budget Amount	% Change
Auto Expenses	\$ -	\$ -	\$ -	0.0%
Communications (1)	\$ 710,000	\$ 30,000	\$ 740,000	4.2%
Transportation and Travel (2)	\$ 13,500	\$ (3,400)	\$ 10,100	-25.2%
Postage	\$ 390,000	\$ -	\$ 390,000	0.0%
Stationery and Forms	\$ -	\$ -	\$ -	0.0%
Office Supplies and Equipment (3)	\$ 469,800	\$ 77,000	\$ 546,800	16.4%
Insurance	\$ -	\$ -	\$ -	0.0%
Equipment Maintenance	\$ 632,200	\$ -	\$ 632,200	0.0%
Equipment Rents and Leases	\$ -	\$ -	\$ -	0.0%
Building Costs	\$ -	\$ -	\$ -	0.0%
Parking Fees	\$ -	\$ -	\$ -	0.0%
Professional and Specialized Services (4)	\$ 954,600	\$ 1,020,000	\$ 1,974,600	106.9%
Bank Services	\$ -	\$ -	\$ -	0.0%
Legal Fees and Services	\$ -	\$ -	\$ -	0.0%
Disability Fees and Services	\$ -	\$ -	\$ -	0.0%
Computer Services and Support (5)	\$ 2,849,800	\$ 1,001,800	\$ 3,851,600	35.2%
Educational Expenses	\$ 36,500	\$ -	\$ 36,500	0.0%
Miscellaneous	\$ 1,000	\$ -	\$ 1,000	0.0%
S&S GRAND TOTAL	\$ 6,057,400	\$ 2,125,400	\$ 8,182,800	35.1%

- 1 Reflects an addition in Communications due to Remote Support for communication billing costs.
- 2 Reflects a reduction in Transportation and Travel due to a reduction in staff travel as a result of COVID travel restrictions.
- 3 Reflects an addition in Office Supplies and Equipment due to Remote Workforce Equipment for additional laptops, monitors, and webcams.
- 4 Reflects an addition in Professional & Specialized Services for Centera Replacement (LACERA Write Once Read Many storage replacement), Cloud Access Security Broker Software, Cloud Migration Consulting Services & Software for DR Plans, GP), IBM mainframe, & web content management and web site hosting.
- 5 Reflects an addition in Computer Services and Support for IT related projects.

Systems Division Summary of FY 2020-21 Mid-Year Budget Adjustment

Description	FY 2020-2021 Approved Budget	Proposed Mid-Year Adjustment	Proposed Amended Budget Amount	% Change
Salaries and Employee Benefits	\$ 11,724,699	\$ 385,129	\$ 12,109,828	3.3%
Services and Supplies	\$ 6,057,400	\$ 2,125,400	\$ 8,182,800	35.1%
	\$ 17,782,099	\$ 2,510,529	\$ 20,292,628	14.1%

**Summary of FY 2020-21 Mid-Year Budget Adjustment
Budgeted Positions Walkthrough**

Budgeted Positions	Systems Division
Approved	60.0
Addition/(Deletion)	
Final Budgeted Positions Requested	<u>60.0</u>

*All amounts rounded to the nearest dollar.

**Retiree Healthcare Benefits Program FY 2020-2021 Mid-Year Budget Adjustment
Salaries and Employee Benefits Walkthrough**

Description	FY 2020-2021 Approved Budget	Proposed Mid-Year Adjustment	Proposed Amended Budget Amount	% Change
Gross Salary (1)	\$ 2,574,811	\$ (337,071)	\$ 2,237,740	-13.1%
Salary Differential	-	-	-	0.0%
Permanent Salaries	<u>\$ 2,574,811</u>	<u>\$ (337,071)</u>	<u>\$ 2,237,740</u>	<u>-13.1%</u>
Outside Agency Temporary Staffing (2)	\$ -	\$ 308,000	\$ 308,000	0.0%
LACERA Intern Program	\$ -	\$ -	\$ -	0.0%
Variable Benefits (3)				
Retirement	\$ 497,545	\$ (54,167)	\$ 443,378	-10.9%
FICA Contribution	35,949	(4,888)	31,061	-13.6%
County Subsidy	70,149	(33,707)	36,442	-48.1%
Options Plan	472,811	(118,869)	353,942	-25.1%
Life Insurance	1,189	(123)	1,066	-10.3%
Health Insurance Temps	-	-	-	0.0%
Flexible Benefit Plan	-	-	-	0.0%
Thrift Plan/Horizons	86,503	(13,483)	73,020	-15.6%
Savings Plan	35,088	-	35,088	0.0%
Pension Savings Plan	203	-	203	0.0%
Megaflex	119,218	-	119,218	0.0%
Total	<u>\$ 1,318,654</u>	<u>\$ (225,236)</u>	<u>\$ 1,093,418</u>	<u>-17.1%</u>
Other Benefits	\$ -	\$ -	\$ -	0.0%
OPEB Contribution	\$ 66,081	\$ -	\$ 66,081	0.0%
Stipends	\$ -	\$ -	\$ -	0.0%
Overtime	\$ 115,600	\$ -	\$ 115,600	0.0%
Bilingual Bonus	\$ 3,600	\$ -	\$ 3,600	0.0%
Reserves for Remuneration	\$ -	\$ -	\$ -	0.0%
Sickleave Buyback	\$ 10,000	\$ -	\$ 10,000	0.0%
Rideshare Allowance	\$ 3,600	\$ -	\$ 3,600	0.0%
Transportation Allowance	\$ -	\$ -	\$ -	0.0%
S&EB GRAND TOTAL	<u>\$ 4,092,346</u>	<u>\$ (254,307)</u>	<u>\$ 3,838,039</u>	<u>-6.2%</u>

- 1 Reflects a deduction in the use of permanent salaries for current vacant positions' salary savings due to recruitment delays.
- 2 Reflects an addition in the use of temporary staff due to recruitment delays. The reliance of temporary staff is critical and essential to RHC's current operation in order to mitigate any delays in processing RHCBP applications, changes in healthcare programs, and address members' health care benefits concerns during this fiscal year.
- 3 Reflects a deduction in the use of Variable Benefits for current vacant positions' VB savings due to recruitment delays.

*All amounts rounded to the nearest dollar.

**Retiree Healthcare Benefits Program FY 2020-2021 Mid-Year Budget Adjustment
Services and Supplies Walkthrough**

Description	FY 2020-2021 Approved Budget	Proposed Mid-Year Adjustment	Proposed Amended Budget Amount	% Change
Transportation and Travel (1)	\$ 50,000	\$ (25,000)	\$ 25,000	-50.0%
Postage	\$ 400,000	\$ -	\$ 400,000	0.0%
Office Supplies and Equipment	\$ 4,000	\$ -	\$ 4,000	0.0%
Operational Costs	\$ 3,269,328	\$ -	\$ 3,269,328	0.0%
Professional and Specialized Services	\$ 1,561,500	\$ -	\$ 1,561,500	0.0%
Bank Services	\$ 21,000	\$ -	\$ 21,000	0.0%
Educational Expenses	\$ 34,500	\$ -	\$ 34,500	0.0%
Miscellaneous	\$ 300	\$ -	\$ 300	0.0%
S&S GRAND TOTAL	\$ 5,340,628	\$ (25,000)	\$ 5,315,628	-0.5%

1 Reflects a reduction in Transportation and Travel due to a reduction in staff travel as a result of COVID travel restrictions.

Retiree Healthcare Benefits Program Summary of FY 2020-21 Mid-Year Budget Adjustment

Description	FY 2020-2021 Approved Budget	Proposed Mid-Year Adjustment	Proposed Amended Budget Amount	% Change
Salaries and Employee Benefits	\$ 4,092,346	\$ (254,307)	\$ 3,838,039	-6.2%
Services and Supplies	\$ 5,340,628	\$ (25,000)	\$ 5,315,628	-0.5%
	\$ 9,432,974	\$ (279,307)	\$ 9,153,667	-3.0%

**Summary of FY 2020-21 Mid-Year Budget Adjustment
Budgeted Positions Walkthrough**

Budgeted Positions	Retiree Healthcare
Approved	31.0
Addition/(Deletion)	
Final Budgeted Positions Requested	31.0

*All amounts rounded to the nearest dollar.